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中国神华能源股份有限公司

CHINA SHENHUA ENERGY COMPANY LIMITED

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 01088)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

FINANCIAL HIGHLIGHTS

- Revenue of the Group in 2020 were RMB233,263 million, representing a decrease of RMB8,608 million or 3.6% over 2019.
- Profit for the year attributable to equity holders of the Company in 2020 was RMB35,849 million, representing a decrease of RMB5,858 million or 14% over 2019.
- Basic earnings per share was RMB1.803.
- The Board recommend the payment of: a final dividend in cash of RMB1.81 per share (tax inclusive) or RMB35,962 million (tax inclusive) for the year of 2020.

The Board of China Shenhua Energy Company Limited (the “**Company**” or “**China Shenhua**”) presented the annual results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2020 and reported our performance for the year.

FINANCIAL INFORMATION

Financial information extracted from the audited consolidated financial statements for the year ended 31 December 2020 prepared in accordance with International Financial Reporting Standards (“IFRSs”):

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

(Expressed in Renminbi (“RMB”))

		Year ended 31 December	
	Notes	2020	2019
		RMB million	RMB million
Revenue			
Goods and services	4	233,263	241,871
Cost of sales	6	(162,374)	(164,979)
Gross profit		70,889	76,892
Selling expenses		(555)	(640)
General and administrative expenses		(8,948)	(8,988)
Research and development costs		(1,362)	(940)
Other gains and losses	9	(194)	(2)
Other income		778	708
Loss allowances, net of reversal	9	(524)	(139)
Other expenses		(1,090)	(278)
Interest income	7	1,684	1,170
Finance costs	7	(2,263)	(3,294)
Share of results of associates		947	433
Profit before income tax		59,362	64,922
Income tax expense	8	(15,378)	(15,145)
Profit for the year	9	43,984	49,777

		Year ended 31 December	
	Notes	2020	2019
		RMB million	RMB million
Other comprehensive income for the year			
<i>Items that will not be reclassified to profit or loss, net of income tax:</i>			
Remeasurement of defined benefit obligations		–	37
Fair value changes on investments in equity instruments at fair value through other comprehensive income		56	2
Share of other comprehensive income of associates		–	4
<i>Items that may be reclassified subsequently to profit or loss, net of income tax:</i>			
Exchange differences		(344)	55
Share of other comprehensive income of associates		(41)	1
Fair value changes on investments in debt instruments at fair value through other comprehensive income		(4)	–
Other comprehensive income for the year, net of income tax		(333)	99
Total comprehensive income for the year		43,651	49,876
Profit for the year attributable to:			
Equity holders of the Company		35,849	41,707
Non-controlling interests		8,135	8,070
		43,984	49,777
Total comprehensive income for the year attributable to:			
Equity holders of the Company		35,607	41,795
Non-controlling interests		8,044	8,081
		43,651	49,876
Earnings per share			
– Basic (RMB)	11	1.803	2.097

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2020

	<i>Notes</i>	31 December 2020 RMB million	31 December 2019 RMB million
Non-current assets			
Property, plant and equipment		238,198	245,993
Construction in progress		39,845	34,495
Exploration and evaluation assets		–	484
Intangible assets		3,888	3,648
Right-of-use assets		18,597	18,690
Interests in associates		49,556	40,539
Equity instruments at fair value through other comprehensive income		1,845	1,789
Other non-current assets		35,890	54,006
Deferred tax assets		2,856	2,945
Total non-current assets		390,675	402,589
Current assets			
Inventories		12,750	12,053
Accounts and bills receivables	12	11,759	10,436
Prepaid expenses and other current assets		17,480	86,524
Restricted bank deposits		3,391	7,664
Time deposits with original maturity over three months		11,186	1,990
Cash and cash equivalents		112,880	41,827
Assets classified as held for sale		2,783	–
Total current assets		172,229	160,494

	<i>Notes</i>	31 December 2020 <i>RMB million</i>	31 December 2019 <i>RMB million</i>
Current liabilities			
Borrowings		8,847	4,172
Accounts and bills payables	13	28,980	25,043
Accrued expenses and other payables		18,949	53,578
Current portion of bonds		–	3,488
Current portion of lease liabilities		242	198
Current portion of long-term liabilities		689	1,493
Income tax payable		6,313	2,727
Contract liabilities		5,256	4,784
Liabilities associated with assets classified as held for sale		217	–
Total current liabilities		69,493	95,483
Net current assets		102,736	65,011
Total assets less current liabilities		493,411	467,600
Non-current liabilities			
Borrowings		50,251	36,943
Bonds		3,241	3,460
Long-term liabilities		2,661	2,201
Accrued reclamation obligations		6,169	3,372
Deferred tax liabilities		896	783
Lease liabilities		606	623
Total non-current liabilities		63,824	47,382
Net assets		429,587	420,218
Equity			
Share capital		19,890	19,890
Reserves		344,313	336,187
Equity attributable to equity holders of the Company		364,203	356,077
Non-controlling interests		65,384	64,141
Total equity		429,587	420,218

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Equity attributable to equity holders of the Company									Non-controlling interests	Total equity
	Share capital	Treasury shares	Share premium	Capital reserve	Exchange reserve	Statutory reserves	Other reserves	Retained earnings	Total		
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
At 1 January 2020	19,890	–	85,001	3,618	56	25,118	(14,824)	237,218	356,077	64,141	420,218
Profit for the year	–	–	–	–	–	–	–	35,849	35,849	8,135	43,984
Other comprehensive income for the year	–	–	–	–	(257)	–	15	–	(242)	(91)	(333)
Total comprehensive income for the year	–	–	–	–	(257)	–	15	35,849	35,607	8,044	43,651
Dividend declared (Note 10)	–	–	–	–	–	–	–	(25,061)	(25,061)	–	(25,061)
Appropriation of maintenance and production funds	–	–	–	–	–	2,995	–	(2,995)	–	–	–
Utilisation of maintenance and production funds	–	–	–	–	–	(6,181)	–	6,181	–	–	–
Purchase of own shares	–	(256)	–	–	–	–	–	–	(256)	–	(256)
Contributions from non-controlling shareholders	–	–	–	–	–	–	–	–	–	606	606
Distributions to non-controlling shareholders	–	–	–	–	–	–	–	–	–	(7,950)	(7,950)
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	627	627
Others	–	–	–	39	–	(1,696)	–	(507)	(2,164)	(84)	(2,248)
At 31 December 2020	19,890	(256)	85,001	3,657	(201)	20,236	(14,809)	250,685	364,203	65,384	429,587

Equity attributable to equity holders of the Company

	Share capital <i>RMB million</i>	Share premium <i>RMB million</i>	Capital reserve <i>RMB million</i>	Exchange reserve <i>RMB million</i>	Statutory reserves <i>RMB million</i>	Other reserves <i>RMB million</i>	Retained earnings <i>RMB million</i>	Total <i>RMB million</i>	Non- controlling interests <i>RMB million</i>	Total <i>RMB million</i>
At 1 January 2019	19,890	85,001	3,612	11	26,540	(14,867)	211,506	331,693	77,144	408,837
Profit for the year	–	–	–	–	–	–	41,707	41,707	8,070	49,777
Other comprehensive income for the year	–	–	–	45	–	43	–	88	11	99
Total comprehensive income for the year	–	–	–	45	–	43	41,707	41,795	8,081	49,876
Dividend declared (<i>Note 10</i>)	–	–	–	–	–	–	(17,503)	(17,503)	–	(17,503)
Appropriation of maintenance and production funds	–	–	–	–	4,159	–	(4,159)	–	–	–
Utilisation of maintenance and production funds	–	–	–	–	(5,921)	–	5,921	–	–	–
Appropriation	–	–	–	–	340	–	(340)	–	–	–
Contributions from non- controlling shareholders	–	–	–	–	–	–	–	–	732	732
Distributions to non-controlling shareholders	–	–	–	–	–	–	–	–	(6,642)	(6,642)
Disposal of subsidiaries	–	–	–	–	–	–	–	–	(15,199)	(15,199)
Others	–	–	6	–	–	–	86	92	25	117
At 31 December 2019	19,890	85,001	3,618	56	25,118	(14,824)	237,218	356,077	64,141	420,218

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	Year ended 31 December	
	2020	2019
	RMB million	RMB million
Operating activities		
Profit before income tax	59,362	64,922
Adjustments for:		
Depreciation of property, plant and equipment (Note 9)	17,954	18,269
Depreciation of right-of-use assets (Note 9)	689	704
Amortisation of intangible assets, included in cost of sales (Note 9)	400	397
Amortisation of other non-current assets (Note 9)	942	1,009
Losses on disposal of property, plant and equipment, exploration and evaluation assets, intangible assets and non-current assets (Note 9)	160	57
Losses/(gains) on disposal of subsidiaries and associate (Note 9)	7	(1,121)
Gains on changes in fair value arising from remeasurement of remaining equity interests after lose control (Note 9)	(1,181)	(111)
Gains on disposal of financial assets at FVTPL (Note 9)	(449)	(568)
Losses/(gains) on changes in fair value of derivative financial instruments (Note 9)	134	(160)
Impairment losses on property, plant and equipment	605	775
Impairment losses on construction in progress (Note 9)	268	263
Impairment losses on exploration and evaluation assets (Note 9)	505	481
Impairment losses on right-of-use assets (Note 9)	3	25
Impairment losses on assets held for sale (Note 9)	87	–
Impairment losses on goodwill (Note 9)	18	–
Reversal of allowance for prepaid expenses (Note 9)	(57)	(1)
Write down of inventories (Note 9)	94	362

	Year ended 31 December	
	2020	2019
	<i>RMB million</i>	<i>RMB million</i>
Operating activities (continued)		
Interest income (<i>Note 7</i>)	(1,684)	(1,170)
Share of results of associates	(947)	(433)
Loss allowances (<i>Note 9</i>)	524	139
Interest expenses	2,334	3,067
Exchange (gain)/loss, net (<i>Note 7</i>)	(71)	227
Operating cash flows before movements in working capital	79,697	87,133
Increase in inventories	(909)	(2,448)
(Increase)/decrease in accounts and bills receivables	(2,689)	2,941
Increase in prepaid expenses, other receivables and service concession receivables	(2,609)	(8,813)
Increase/(decrease) in accounts and bills payables	3,693	(1,736)
Increase in accrued expenses and other payables and long-term liabilities	15,438	897
Increase in contract liabilities	472	1,380
Cash generated from operations	93,093	79,354
Income tax paid	(11,804)	(16,248)
Net cash generated from operating activities	81,289	63,106

	Year ended 31 December	
	2020	2019
	<i>RMB million</i>	<i>RMB million</i>
Investing activities		
Acquisition of property, plant and equipment, intangible assets, exploration and evaluation assets, additions to the construction in progress and other non-current assets	(20,030)	(18,133)
Increase in right-of-use assets	(644)	(876)
Proceeds from disposal of property, plant and equipment, intangible assets and other non-current assets	490	1,129
Investments in equity instruments at fair value through other comprehensive income	–	(978)
Proceeds from disposal of wealth management products and derivative financial instruments included in prepaid expenses and other current assets	33,736	33,015
Investments in associates	(123)	(2,002)
Purchase of non-controlling interests	(786)	–
Net cash and cash equivalent increased from deconsolidation of Finance Company's financial statements	1,350	–
Repayments of net cash received for the transition period	–	(1,562)
Dividend received from associates	937	266
Interest received	1,427	1,096
Purchase of wealth management products included in prepaid expenses and other current assets	–	(33,200)
Purchase of derivative financial instruments included in prepaid expenses and other current assets	–	(70)
(Increase)/decrease in restricted bank deposits	(3,023)	943
Placing of time deposits with original maturity over three months	(11,212)	(1,883)
Maturity of time deposits with original maturity over three months	2,016	1,628
Investments in long-term loans included in other non-current assets	(1,191)	(5,009)
Disposal of/(investments in) interbank certificate of deposits included in prepaid expenses and other current assets	28,621	(28,629)
Collection of entrusted loans	480	–
Decrease in other current assets	–	7,958
Net cash generated from/(used in) investing activities	32,048	(46,307)

	Year ended 31 December	
	2020	2019
	<i>RMB million</i>	<i>RMB million</i>
Financing activities		
Capital element of lease rentals paid	(250)	(200)
Interest element of lease rentals paid	(37)	(39)
Interest paid	(2,530)	(3,177)
Proceeds from borrowings	9,940	3,541
Repayments of borrowings	(13,840)	(15,116)
Repayments of bonds	(3,488)	–
Proceeds from bills discounted	996	1,102
Purchase of own shares	(256)	–
Contributions from non-controlling shareholders	606	732
Distributions to non-controlling shareholders	(8,159)	(6,512)
Dividend paid to equity holders of the Company	(25,061)	(17,503)
Net cash used in financing activities	(42,079)	(37,172)
Net increase/(decrease) in cash and cash equivalents	71,258	(20,373)
Cash and cash equivalents, at the beginning of the year	41,827	61,863
Effect of foreign exchange rate changes	(131)	337
Cash and cash equivalents included in assets classified as held for sale	(74)	–
Cash and cash equivalents, at the end of the year	112,880	41,827

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

1. PRINCIPAL ACTIVITIES AND ORGANISATION

Principal activities

China Shenhua Energy Company Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) are principally engaged in: (i) the production and sale of coal; and (ii) the generation and sale of coal-based power to provincial/regional electric grid companies in the People’s Republic of China (the “**PRC**”). The Group operates an integrated railway network and seaports that are primarily used to transport the Group’s coal sales from its mines. The primary customers of the Group’s coal sales include power plants, metallurgical and coal chemical producers in the PRC.

Organisation

The Company was established in the PRC on 8 November 2004 as a joint stock limited company as part of the Restructuring (as defined below) of Shenhua Group, a state-owned enterprise under the direct supervision of the State Council of the PRC.

Effective on 31 December 2003, the coal production and power generation operations previously operated by various entities wholly-owned or controlled by Shenhua Group were restructured and managed separately (the “**Restructuring**”), and those assets and liabilities related to the operations and businesses that were transferred to the Company were revalued by China Enterprise Appraisal Co., Ltd., an independent valuer registered in the PRC, as at 31 December 2003 as required by the PRC rules and regulations.

On 8 November 2004, in consideration for Shenhua Group transferring the coal mining and power generating assets and liabilities to the Company, the Company issued 15,000,000,000 domestic state-owned ordinary shares with a par value of RMB1.00 each to Shenhua Group. The shares issued to Shenhua Group represented the entire registered and paid-up share capital of the Company at that date.

In 2005, the Company issued 3,089,620,455 H shares with a par value of RMB1.00 each, at a price of Hong Kong Dollars (“HKD”) 7.50 per H share by way of a global initial public offering. In addition, 308,962,045 domestic state-owned ordinary shares of RMB1.00 each owned by Shenhua Group were converted into H shares. A total of 3,398,582,500 H shares were listed on The Stock Exchange of Hong Kong Limited.

In 2007, the Company issued 1,800,000,000 A shares with a par value of RMB1.00 each, at a price of RMB36.99 per A share in the PRC. The A shares were listed on the Shanghai Stock Exchange.

2. CHANGES IN ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(a) Changes in accounting policies

The Group has applied the following amendments to IFRSs issued by the IASB to these financial statements for the current accounting period:

- Amendments to IFRS 3, *Definition of a Business*
- Amendments to IAS 1 and IAS 8, *Definition of Material*
- Amendments to IFRS 9, IAS 39 and IFRS 7, *Interest Rate Benchmark Reform*
- Amendments to IFRS 16, *Covid-19-Related Rent Concessions*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period except for the amendment to IFRS 16, *Covid-19-Related Rent Concessions*, which provides a practical expedient that allows lessees not to assess whether particular rent concessions occurring as a direct consequence of the Covid-19 pandemic are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

(b) Changes in accounting estimates

With effect from 1 January 2020, the Group made a change in depreciation estimates. The estimated useful lives of the following categories property, plant and equipment have been changed. The change has been applied prospectively and the impact on these consolidated financial statements was not material.

Categories	Term for depreciation before change (year)	Term for depreciation after change (year)
Buildings	10 – 50 years	10 – 55 years
Mining related machinery and equipment	5 – 20 years	5 – 40 years
Generators related machinery and equipment	5 – 20 years	8 – 35 years
Railway and port	6 – 45 years	6 – 45 years
Vessels	25 years	25 years
Coal chemical related machinery and equipment	8 – 20 years	8 – 20 years
Furniture, fixtures, motor vehicles and other equipment	5 – 20 years	5 – 35 years

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (“**IFRSs**”), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards (“**IASs**”) and Interpretations issued by the International Accounting Standards Board (the “**IASB**”). They are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest million (RMB’ million) except when otherwise indicated. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“**Listing Rules**”) and by the Hong Kong Companies Ordinance (“**CO**”).

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which have been measured at fair value at the end of each reporting period.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4. REVENUE FROM GOODS AND SERVICES

Disaggregation of revenue of business lines and geographical location of customers is as follows:

	Coal		Power		Railway		Port		Shipping		Coal chemical		Other		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
Segments	million	million	million	million	million	million	million	million	million	million	million	million	million	million	million	million
Types of goods or service																
Sales of goods																
Coal	163,751	168,274	-	-	-	-	-	-	-	-	-	-	-	-	163,751	168,274
Power	-	-	44,321	51,507	-	-	-	-	-	-	-	-	-	-	44,321	51,507
Coal chemical products	-	-	-	-	-	-	-	-	-	-	4,549	4,770	-	-	4,549	4,770
Others	5,446	5,197	5,027	977	-	-	-	-	-	-	616	557	-	-	11,089	6,731
	169,197	173,471	49,348	52,484	-	-	-	-	-	-	5,165	5,327	-	-	223,710	231,282
Transportation and other services																
Railway	-	-	-	-	4,743	5,405	-	-	-	-	-	-	-	-	4,743	5,405
Port	-	-	-	-	-	-	525	531	-	-	-	-	-	-	525	531
Shipping	-	-	-	-	-	-	-	-	1,747	1,813	-	-	-	-	1,747	1,813
Others	-	-	-	-	1,061	1,059	449	121	-	-	-	-	1,028	1,660	2,538	2,840
	-	-	-	-	5,804	6,464	974	652	1,747	1,813	-	-	1,028	1,660	9,553	10,589
Total	169,197	173,471	49,348	52,484	5,804	6,464	974	652	1,747	1,813	5,165	5,327	1,028	1,660	233,263	241,871
Geographical markets																
Domestic markets	168,198	171,396	44,623	51,577	5,804	6,464	974	652	1,747	1,813	5,165	5,327	1,028	1,660	227,539	238,889
Overseas markets	999	2,075	4,725	907	-	-	-	-	-	-	-	-	-	-	5,724	2,982
Total	169,197	173,471	49,348	52,484	5,804	6,464	974	652	1,747	1,813	5,165	5,327	1,028	1,660	233,263	241,871
Timing of revenue recognition																
A point in time	169,197	173,471	49,348	52,484	-	-	-	-	-	-	5,165	5,327	-	-	223,710	231,282
Over time	-	-	-	-	5,804	6,464	974	652	1,747	1,813	-	-	1,028	1,660	9,553	10,589
Total	169,197	173,471	49,348	52,484	5,804	6,464	974	652	1,747	1,813	5,165	5,327	1,028	1,660	233,263	241,871

The Group's revenue from contracts with customers is RMB232,155 million for the year ended 31 December 2020 (2019:RMB240,177 million).

Set out below is the reconciliation of the revenue with the amounts disclosed in the segment information.

Segments	Coal		Power		Railway		Port		Shipping		Coal chemical		Other		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>
Revenue disclosed in segment information																
External customers	169,197	173,471	49,348	52,484	5,804	6,464	974	652	1,747	1,813	5,165	5,327	1,028	1,660	233,263	241,871
Inter-segment	20,832	23,925	138	142	32,919	33,237	5,385	5,274	1,365	1,484	-	-	825	1,153	61,464	65,215
	190,029	197,396	49,486	52,626	38,723	39,701	6,359	5,926	3,112	3,297	5,165	5,327	1,853	2,813	294,727	307,086
Adjustment and eliminations	(20,832)	(23,925)	(138)	(142)	(32,919)	(33,237)	(5,385)	(5,274)	(1,365)	(1,484)	-	-	(825)	(1,153)	(61,464)	(65,215)
Revenue	169,197	173,471	49,348	52,484	5,804	6,464	974	652	1,747	1,813	5,165	5,327	1,028	1,660	233,263	241,871

The Group produces and sells coal and coal chemical products to customers at spot market. For sales of coal and coal chemical products, revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the customers' specific location. According to the Group's historical experiences, there was no significant exchange or return of coal and coal chemical products occurred. There is no sales-related warranties associated with coal and coal chemical products.

For sales of power, revenue is recognised upon the transmission of electric power to the power grid companies. Power could not be returned or exchanged and there is also no warranties associated with power sales.

The Group provides railway transportation services, shipment transportation services as well as port loading and storage services to customers. Such services are recognised as a performance obligation satisfied over time as the Group rendering the services. Revenue is recognised for these services based on the stage of completion of the performance obligation using output method.

All performance obligations of sales of coal, power and coal chemical products, railway and shipment transportation services, and port loading and storage services are part of contracts with an original expected duration of one year or less, and as permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

5 SEGMENT AND OTHER INFORMATION

(a) Segment results

For the purposes of assessing segment performance and allocating resources between segments, the Group's CODM monitors the results attributable to each reportable segment based on profit before income tax ("**reportable segment profit**"). Reportable segment profit represents the profit earned by each segment without allocation of head office and corporate items. Inter-segment sales are primarily charged at prevailing market rate which are the same as those charged to external customers.

Information regarding the Group's reportable segments as provided to the Group's CODM for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2020 and 2019 is set out below:

	Coal		Power		Railway		Port		Shipping		Coal chemical		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>
Revenue from external customers	169,197	173,471	49,348	52,484	5,804	6,464	974	652	1,747	1,813	5,165	5,327	232,235	240,211
Inter-segment revenue	20,832	23,925	138	142	32,919	33,237	5,385	5,274	1,365	1,484	-	-	60,639	64,062
Reportable segment revenue	190,029	197,396	49,486	52,626	38,723	39,701	6,359	5,926	3,112	3,297	5,165	5,327	292,874	304,273
Reportable segment profit	28,992	33,121	6,907	8,500	15,790	16,333	2,487	2,179	226	233	180	279	54,582	60,645
Including:														
Interest expenses	761	707	1,341	1,845	869	1,182	270	367	2	6	90	49	3,333	4,156
Depreciation and amortisation	7,413	7,393	5,265	5,727	4,987	4,738	997	1,068	297	296	844	881	19,803	20,103
Share of results of associates	154	155	168	225	-	-	4	5	-	-	-	-	326	385
Loss allowances and impairment of assets	1,297	1,437	538	212	-	220	7	-	-	-	(2)	15	1,840	1,884

(b) Reconciliations of reportable segment revenue, segment profit and other items of profit or loss for the years ended 31 December 2020 and 2019 are set out below:

	Reportable segment amounts		Unallocated head office and corporate items		Elimination of inter-segment amounts		Consolidated	
	2020	2019	2020	2019	2020	2019	2020	2019
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>
Revenue	292,874	304,273	1,853	2,813	(61,464)	(65,215)	233,263	241,871
Profit / (loss) before income tax	54,582	60,645	3,927	4,352	853	(75)	59,362	64,922
Interest expenses	3,333	4,156	861	882	(1,933)	(1,971)	2,261	3,067
Depreciation and amortisation	19,803	20,103	182	276	-	-	19,985	20,379
Share of results of associates	326	385	621	48	-	-	947	433
Loss allowances and impairment of assets	1,840	1,884	207	160	-	-	2,047	2,044

(c) Geographical information

The following table sets out information about geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, construction in progress, exploration and evaluation assets, intangible assets, right-of-use assets, interests in associates, other non-current assets (excluding loans and bonds) ("**specified non-current assets**"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, construction in progress and right-of-use assets, and the location of operations, in the case of exploration and evaluation assets, intangible assets, other non-current assets and interests in associates.

	Revenue from external customers		Specified non-current assets	
	Year ended 31 December		Year ended 31 December	
	2020	2019	2020	2019
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Domestic markets	227,539	238,889	378,504	357,065
Overseas markets	5,724	2,982	7,070	9,172
	233,263	241,871	385,574	366,237

(d) Major customers

Revenue from any individual customer of the Group does not exceed 10% of the Group's revenue. Certain of the Group's customers are entities, which controlled, jointly controlled or significantly influenced by the PRC government ("government-related entities") and collectively considered as the Group's major customer. Revenue from major customer of the Group's coal and power segments amounted to RMB157,374 million (2019: RMB159,297 million).

(e) Other information

Certain other information of the Group's segments for the years ended 31 December 2020 and 2019 is set out below:

	Coal		Power		Railway		Port		Shipping		Coal chemical		Unallocated items		Eliminations		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
	million	million	million	million	million	million	million	million	million	million	million	million	million	million	million	million	million	million
Coal purchased	48,742	53,831	-	-	-	-	-	-	-	-	-	-	-	-	-	-	48,742	53,831
Cost of coal																		
production	50,032	47,176	-	-	-	-	-	-	-	-	-	-	-	-	(3,019)	(2,974)	47,013	44,202
Cost of coal																		
transportation	51,557	52,497	-	-	16,291	16,509	3,060	2,793	1,238	1,337	-	-	-	-	(39,669)	(39,995)	32,477	33,141
Power cost	-	-	35,877	40,489	-	-	-	-	-	-	-	-	-	-	(16,667)	(19,679)	19,210	20,810
Cost of coal chemical																		
production	-	-	-	-	-	-	-	-	-	-	4,066	4,144	-	-	(1,449)	(1,481)	2,617	2,663
Other	3,042	3,720	2,852	51	4,013	4,132	254	271	1,517	1,576	609	549	28	33	-	-	12,315	10,332
Total cost of sales	153,373	157,224	38,729	40,540	20,304	20,641	3,314	3,064	2,755	2,913	4,675	4,693	28	33	(60,804)	(64,129)	162,374	164,979
Profit from operations																		
(Note (i))	29,832	33,188	7,976	9,779	16,636	17,360	2,678	2,536	209	232	259	311	1,047	1,960	(660)	(1,086)	57,977	64,280
Capital expenditures																		
(Note (ii))	8,151	5,291	7,766	6,828	3,441	6,990	388	238	11	30	564	142	1,202	2	-	-	21,523	19,521
Total assets																		
(Note (iii))	222,984	224,344	150,299	148,754	124,113	128,578	21,619	22,197	6,410	6,516	8,938	9,202	424,257	449,806	(395,716)	(426,314)	562,904	563,083
Total liabilities																		
(Note (iii))	(106,897)	(108,449)	(110,040)	(109,730)	(50,470)	(56,774)	(6,629)	(8,285)	(257)	(397)	(2,950)	(3,346)	(154,901)	(188,866)	298,827	332,982	(133,317)	(142,865)

Notes:

- (i) Profit from operations is calculated as revenue minus cost of sales, selling expenses, general and administrative expenses, research and development costs, loss allowances and impairment of assets.

- (ii) Capital expenditures consist of addition in property, plant and equipment, construction in process, exploration and evaluation assets, intangible assets, long-term deferred expense, land use rights and prepayment for mining projects.
- (iii) Unallocated items of total assets include deferred tax assets and other unallocated corporate assets. Unallocated items of total liabilities include deferred tax liabilities and other unallocated corporate liabilities.

6. COST OF SALES

	Year ended 31 December	
	2020	2019
	<i>RMB million</i>	<i>RMB million</i>
Coal purchased	48,742	53,831
Materials, fuel and power	19,501	19,863
Personnel expenses	16,066	15,585
Depreciation and amortisation	16,647	16,798
Repairs and maintenance	9,124	9,491
Transportation charges	15,076	16,155
Taxes and surcharges	10,926	10,299
Other operating costs	26,292	22,957
	<u>162,374</u>	<u>164,979</u>

7. INTEREST INCOME/FINANCE COSTS

	Year ended 31 December	
	2020	2019
	<i>RMB million</i>	<i>RMB million</i>
Interest income from:		
– bank deposits	1,075	779
– other loans and receivables	609	391
Total interest income	1,684	1,170
Interest on:		
– borrowings	2,369	3,387
– lease liabilities	37	39
– bonds	146	253
Total finance costs on financial liabilities not at FVTPL	2,552	3,679
Less: amount capitalised	(602)	(780)
	1,950	2,899
Others	73	–
Unwinding of discount	311	168
Exchange (gain)/loss, net	(71)	227
Total finance costs	2,263	3,294
Net finance costs	579	2,124

Note:

Borrowing costs capitalised during the year arose on the general borrowing pools and were calculated by applying a capitalisation rate from 1.80% to 6.15% (2019: from 1.80% to 5.62%) per annum to expenditure on qualifying assets.

8. INCOME TAX EXPENSE

	Year ended 31 December	
	2020	2019
	<i>RMB million</i>	<i>RMB million</i>
Current tax, mainly PRC enterprise income tax	15,966	13,374
(Over)/under provision in respect of prior years	(790)	1,387
Deferred tax	202	384
	15,378	15,145

The tax charge for the year can be reconciled to the profit before income tax per consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended 31 December	
	2020	2019
	<i>RMB million</i>	<i>RMB million</i>
Profit before income tax	59,362	64,922
Tax at the PRC income tax rate of 25% (2019: 25%)	14,841	16,231
Tax effects of:		
– different tax rates of branches and subsidiaries	(607)	(3,703)
– non-deductible expenses	231	97
– non-taxable income	(296)	(95)
– share of results of associates	(240)	(166)
– utilisation of tax losses and deductible temporary difference previously not recognised	(224)	(143)
– tax losses and deductible temporary difference not recognised	2,463	1,537
– (over)/under provision	(790)	1,387
Income tax expense	15,378	15,145

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate applicable for the PRC group entities is 25% (2019: 25%) except for subsidiaries and branches operating in the western developing region of the PRC which are entitled to a preferential tax rate of 15% from 2011 to 2020. In April 2020, the related regulators announced that the period of application of the preferential tax rate will be extended for another 10 years from 2021 to 2030, during which period the companies operating in the western developing region of the PRC enjoy the preferential tax rate of 15%. However, the subsidiaries of the Group engaged in coal mining and operating in the western developing region of the PRC were subject to the Corporate income tax rate of 25% for the year ended 31 December 2020 due to the temporary adjustment on the catalogue of Industries Encouraged by the Western Region Development.

The applicable tax rates of the Group’s overseas subsidiaries are as follows:

	Year ended 31 December	
	2020 %	2019 %
Australia	30.0	30.0
Indonesia	25.0	25.0
United States	21.0	21.0
Russia	20.0	20.0
Hong Kong, China	<u>8.25/16.5*</u>	<u>8.25/16.5*</u>

During the years ended 31 December 2020 and 2019, there was no significant assessable profit and provision for income tax for the overseas subsidiaries.

- * The two-tiered profits tax rates regime is applicable from the year of assessment 2019/20 onwards. The profits tax rate for the first Hong Kong Dollars (“HK\$”) 2,000,000 of profits of corporations will be lowered to 8.25%, and profits above that amount will continue to be subject to the tax rate of 16.5%.

9. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging/(crediting)

	Year ended 31 December	
	2020	2019
	<i>RMB million</i>	<i>RMB million</i>
Personnel expenses, including	29,405	28,324
– Contributions to defined contribution plans	2,504	3,332
Depreciation of property, plant and equipment	17,965	18,274
Depreciation of right-of-use assets	713	812
Amortisation of intangible assets	400	397
Amortisation of other non-current assets	946	1,015
Depreciation and amortisation charged for the year	20,024	20,498
Less: amount capitalised	(39)	(119)
Depreciation and amortisation (<i>Note</i>)	19,985	20,379
Loss allowances		
– Loans receivables and interbank certificate of deposits	(2)	167
– Trade and other receivables	526	(28)
	524	139

	Year ended 31 December	
	2020	2019
	<i>RMB million</i>	<i>RMB million</i>
Other gains and losses, represent		
– losses on disposal of property, plant and equipment, exploration and evaluation assets, intangible assets and non-current assets	160	57
– losses/(gains) on disposal of subsidiaries and associates	7	(1,121)
– gains on changes in fair value arising from remeasurement of remaining equity interests after losing control	(1,181)	(111)
– gains on disposal of financial assets at FVTPL	(449)	(568)
– losses/(gains) on changes in fair value of derivative financial instruments	134	(160)
– impairment losses on property, plant and equipment	605	775
– impairment losses on construction in progress	268	263
– impairment losses on exploration and evaluation assets	505	481
– impairment losses on right-of-use assets	3	25
– impairment losses on assets held for sale	87	–
– impairment losses on goodwill	18	–
– reversal of allowance for prepaid expenses	(57)	(1)
– write-down of inventories	94	362
	194	2
Carrying amount of inventories sold	118,657	124,847
Operating lease charges relating to short-term leases, leases of low-value assets and variable lease payments	218	254
Auditors' remuneration		
– audit service	32	33

Note :

Cost of sales include an amount of depreciation and amortisation of RMB16,647 million for the year ended 31 December 2020 (2019:RMB16,798 million).

10. DIVIDENDS

	Year ended 31 December	
	2020	2019
	<i>RMB million</i>	<i>RMB million</i>
Dividend approved and paid during the year:		
2019 final – RMB1.26 (2019: 2018 final – RMB0.88) per ordinary share	25,061	17,503

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2020 of RMB35,962 million, at RMB1.81 per ordinary share (in respect of the year ended 31 December 2019: final dividend RMB25,061 million, at RMB1.26 per ordinary share) has been proposed by the Directors and is subject to approval by the shareholders in the following general meeting.

11. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to ordinary equity holders of the Company of RMB35,849 million (2019: RMB41,707 million) and the weighted average of 19,888 million ordinary shares (2019: 19,890 million shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	Year ended 31 December	
	2020	2019
	<i>million</i>	<i>million</i>
Number of shares in issue at 1 January	19,890	19,890
Effect of shares repurchased	(2)	–
Weighted average number of shares in issue	19,888	19,890

No diluted earnings per share for both 2020 and 2019 were presented as there were no potential ordinary shares in existence during both years.

12. ACCOUNTS AND BILLS RECEIVABLES

	31 December 2020 <i>RMB million</i>	31 December 2019 <i>RMB million</i>
Accounts receivable		
– China Energy Group and fellow subsidiaries	2,574	2,179
– Associates	407	476
– Third parties	6,116	6,265
	<u>9,097</u>	<u>8,920</u>
Less: allowance for credit losses	(1,299)	(1,073)
	<u>7,798</u>	<u>7,847</u>
Bills receivable		
– China Energy Group and fellow subsidiaries	65	135
– Associates	–	3
– Third parties	3,896	2,451
	<u>3,961</u>	<u>2,589</u>
	<u>11,759</u>	<u>10,436</u>

As of the end of the reporting period, the ageing analysis of trade receivables, based on the invoice date and net of loss allowance, is as follows:

	31 December 2020 <i>RMB million</i>	31 December 2019 <i>RMB million</i>
Less than one year	6,972	6,523
One to two years	125	109
Two to three years	84	105
More than three years	617	1,110
	<u>7,798</u>	<u>7,847</u>

13. ACCOUNTS AND BILLS PAYABLES

The following is an aging analysis of accounts and bills payables, presented based on invoice date.

	31 December 2020 <i>RMB million</i>	31 December 2019 <i>RMB million</i>
Less than one year	24,621	17,706
One to two years	671	2,109
Two to three years	459	1,494
More than three years	3,229	3,734
	28,980	25,043

14. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

After the end of the reporting period, the Directors proposed a final dividend, the details of which are disclosed in Note 10.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I am delighted to present you the 2020 annual report of China Shenhua, and express sincere gratitude to all of you for your support!

2020 was an extremely unusual year. Amid the severe and complicated internal and external environment, especially the severe impact of the COVID-19 pandemic, under the strong leadership of the Party Central Committee with Comrade Xi Jinping at the core, China Shenhua deeply implemented the spirit of the important speeches and the important instructions made by General Secretary Xi Jinping, the decision-making deployment of the Party Central Committee of stability on the six fronts and security in the six areas, accelerated the implementation of “One Target, Three Models and Five Strategies, and Seven First-class” enterprise development strategy, organized the promotion of various work, and completed the annual target tasks. The “13th Five-Year” plan has come to a successful conclusion. In this year, the Company achieved RMB35,849 million in profit for the year attributable to equity holders of the Company and basic earnings per share of RMB1.803, the gearing ratio at the end of the period was 23.7%, and the total market value reached USD52.3 billion, showing a stable performance while at the same time securing progress.

Over the past year, we steadily pushed forward the epidemic prevention and control, ensured the safe production, health of employees and energy supply, and carried out a series of activities including “being a pioneer in the fight against COVID-19, and being brave in times of crisis”. There was no cluster of infection incident throughout the entire Company. We overcame challenges and took courage to assume heavy responsibilities. We have taken the lead in the full resumption of work and production, actively supported the socioeconomic development of Hubei and other places, and completed the task of ensuring supply, warmth and people’s livelihood in key regions at the critical moment. We firmly upheld the concept of safe development and comprehensively carried out the three-year action of special rectification in safe production, and 22 coal mines were awarded the most safe and highly efficient mines in 2018-2019. We have vigorously implemented pollution control and ecological governance, and 15 coal mines were included in the list of national green mines. The Company also won the title of advanced enterprise in coal industry for energy conservation and emission reduction.

Over the past year, we fully leveraged our core competitive advantages of integration and implemented coal-fired power synergy, coal chemical synergy, production and transportation synergy, transportation and marketing synergy, continued to promote digital empowerment and industrial connectivity, improved the price coordination mechanism, smoothed production, transportation and marketing channels, and maintained integrated high-end operation. Production and operation have improved month by month, with better-than-expected and better-than-peers key indicators, making positive contributions to the steady growth of the national economy and creating higher value for stakeholders such as investors and customers.

Over the past year, we adhered to the new development concept, advanced in-depth supply-side structural reform, focused on expanding effective investment, strengthened breakthroughs in core technologies for key field, and continued to promote transformation and upgrade. We focused on the target tasks of peak carbon dioxide emissions and carbon neutrality and prepared the “14th Five-Year” development plan in a scientific manner. We made great contribution in coal production, increased the proportion of high-quality production capacity and promoted safe, clean, intelligent and efficient mining. We optimised coal power, built clean and highly efficient units with high standards and reduced unit energy consumption, such as commencing production of the world’s first turbine platform high-level layout project of Jinjie Power, and operation for power generation of the million kilowatt coal power project in Java, Indonesia. We excelled ourselves in modern coal chemical, enhanced technological transformation and upgrade, and ensured the safe, stable and clean operation of the project. We implemented the construction of transportation system and the adjustment to the transportation structure of “road to railway”. The Huangda Railway has been in full operation and the logistics business has actively expanded. We led the business development with digital transformation, construction of intelligent mine, intelligent power station, intelligent transportation, and intelligent chemical industry achieved remarkable results, and the dispatch center command platform project was successfully launched.

Over the past year, we adhered to the two “consistent implementation principles”, gave full play to the role of the Party committee in “providing direction, managing the overall situation and ensuring implementation”, continued to reinforce theoretical arms, enhanced the building of team of cadre talents, encouraged a number of cadres and employees to take up their role and work hard to build a world-class listed integrated energy company with strong synergy. We continued to consolidate the foundation of the “three basics”, promoted the integration of party building and core businesses, and steadily carried out the action of making contributions on the position of “formation of socialism by action”, created an excellent culture and brand, and strengthened the building of Party style and clean government and the fight against anticorruption in order to provide a strong guarantee for the reform development of the Company.

Over the past year, we won the final battle against poverty in all respects, invested RMB136 million in targeted poverty alleviation funds, and helped all three deeply impoverished counties get rid of poverty. We implemented the Securities Law, protected the interests of minority investors and carried out H share repurchase. We continued to distribute a large proportion of dividends, with a distributed annual profit paid in cash no less than 50% of the net profit attributable to shareholders of the Company achieved at the year during the year 2019-2021. We comprehensively strengthened ESG governance and promoted the standardisation of ESG management system construction. The Company won a number of awards and honors, including China Securities Golden Bauhinia Awards, New Fortune's Best Listed Company, and the Annual Sustainability Award "Golden Awards", and maintained a good record of A-level performance evaluation of information disclosure by SSE for 7 consecutive years.

2021 will embrace the 100th anniversary of the founding of the Communist Party of China as well as the beginning of "14th Five-Year" plan. It is also the first year that our country will march towards the Second Centenary Goal. Adhering to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the Company will be on a new development stage, completely and accurately implement the new development concept in all aspects, accelerate the construction of a new development pattern, implement the "14th Five-Year" development plan with high standards, actively contribute to the construction of a clean, low-carbon, safe and efficient modern energy system, spared no effort to create a new situation in green transformation, innovation driving, quality and efficiency improvement, management improvement, reform deepening, and party building, and strive to achieve new development, show new achievements, and create new performance in the new journey of the "14th Five-Year" plan.

We firmly believe that we would not have brilliant results unless we strive our best prudently. There is no way out for hesitation, and we can only achieve progress by taking on responsibilities. With a complete industrial chain, China Shenhua has obvious integrated competitive advantages and strong market advantages, brand advantages, capital advantages and talent advantages. With the joint efforts of the Board, management and all employees as always, as well as the strong support of shareholders and all walks of life, we will seize opportunities, overcome challenges, and achieve better performance on the new journey of building a modern socialist country in an all aspect, so as to make greater contributions to the national economic and social development, and create greater value for investors, customers and society.

MANAGEMENT DISCUSSION AND ANALYSIS

I. OVERVIEW OF THE COMPANY'S OPERATING RESULTS

Operation Data

		2020	2019	Change %
Commercial coal production	million tonnes	291.6	282.7	3.1
Coal sales	million tonnes	446.4	447.1	(0.2)
Transportation turnover of self-owned railway	billion tonne km	285.7	285.5	0.1
Loading volume at Huanghua Port	million tonnes	203.8	199.7	2.1
Loading volume at Shenhua Tianjin Coal Dock	million tonnes	45.4	44.7	1.6
Shipping volume	million tonnes	113.0	109.8	2.9
Shipping turnover	billion tonne nautical miles	93.0	89.6	3.8
Gross power generation	billion kwh	136.33	153.55	(11.2)
Total power output dispatch	billion kwh	127.65	144.04	(11.4)
Sales of polyethylene	thousand tonnes	356.9	319.0	11.9
Sales of polypropylene	thousand tonnes	331.2	302.3	9.6

Financial Indicators

		2020	2019	Change %
Revenue	RMB million	233,263	241,871	(3.6)
Profit for the year	RMB million	43,984	49,777	(11.6)
EBITDA	RMB million	79,018	86,992	(9.2)
Profit for the year attributable to equity holders of the Company	RMB million	35,849	41,707	(14.0)
Basic earnings per share	RMB/share	1.803	2.097	(14.0)
Net cash generated from operating activities	RMB million	81,289	63,106	28.8
Net cash generated from operating activities excluding Finance Company	RMB million	62,690	66,768	(6.1)

Commercial Coal Production

	2020 <i>million tonnes</i>	2019 <i>million tonnes</i>	Change %
Total production	291.6	282.7	3.1
By mines			
Shendong Mines	185.0	184.8	0.1
Zhunge'er Mines	62.2	54.1	15.0
Shengli Mines	21.1	13.7	54.0
Baorixile Mines	21.5	28.1	(23.5)
Baotou Mines	1.8	2.0	(10.0)
By regions			
Inner Mongolia	195.4	188.8	3.5
Shaanxi	93.2	91.1	2.3
Shanxi	3.0	2.8	7.1

Domestic Coal Sales Volume

		2020 <i>million tonnes</i>	Proportion of domestic sales %	2019 <i>million tonnes</i>	Change %
Domestic sales		444.3	100.0	442.3	0.5
By regions					
	Northern China	137.7	31.0	137.4	0.2
	Eastern China	180.4	40.6	174.8	3.2
	Central China and Southern China	76.6	17.2	81.6	(6.1)
	Northeast China	35.6	8.0	35.9	(0.8)
	Others	14.0	3.2	12.6	11.1
By usage					
	Thermal coal	356.3	80.3	355.8	0.1
	Metallurgy	23.2	5.2	26.3	(11.8)
	Chemical (including coal slurry)	60.2	13.5	54.9	9.7
	Others	4.6	1.0	5.3	(13.2)

Railway Cargo Transportation Turnover

	2020 <i>billion</i> <i>tonne km</i>	2019 <i>billion</i> <i>tonne km</i>	Change %
Self-owned railways	285.7	285.5	0.1
Shenshuo Railway	54.1	52.4	3.2
Shuohuang-Huangwan Railway	183.4	176.8	3.7
Dazhun Railway	26.9	31.7	(15.1)
Baoshen Railway	8.6	9.1	(5.5)
Ganquan Railway	1.1	1.4	(21.4)
Bazhun Railway	1.7	3.4	(50.0)
Zhunchi Railway	9.9	10.7	(7.5)
Tahan Railway	—	—	/
Huangda Railway	—	/	/
National Railway	44.9	50.5	(11.1)
Total	330.6	336.0	(1.6)

Seaborne Coal in Ports

	2020 <i>million</i> <i>tonnes</i>	2019 <i>million</i> <i>tonnes</i>	Change %
Self-owned ports	239.1	232.1	3.0
Huanghua Port	193.9	187.1	3.6
Shenhua Tianjin Coal Dock	45.2	45.0	0.4
Third-party ports	29.0	37.6	(22.9)
Total seaborne coal sales	268.1	269.7	(0.6)

Power Business

Power plants	Power grid	Location	Gross power generation <i>100 million kWh</i>	Total power output dispatch <i>100 million kWh</i>	Average utilization hours <i>hours</i>	Standard coal consumption for power outpour dispatch <i>g/kWh</i>	Power tariff <i>RMB/mWh</i>	Total installed capacity as at 31 December 2019 <i>MW</i>	Increase/ (decrease) in installed capacity for 2020 <i>MW</i>	Total installed capacity as at 31 December 2020 <i>MW</i>	Equity Installed capacity as at 31 December 2020 <i>MW</i>
Zhunge'er Power	North China Power Grid	Inner Mongolia	32.9	29.9	4,482	390	219	660	–	660	381
Shendong Power	Northwest/North China/ Shaanxi Provincial Local Power Grid	Inner Mongolia	223.7	207.0	3,914	324	290	5,814	(100)	5,714	5,228
Cangdong Power	North China Power Grid	Hebei	114.2	108.7	4,532	298	318	2,520	–	2,520	1,285
Dingzhou Power	North China Power Grid	Hebei	114.2	105.6	4,533	305	322	2,520	–	2,520	1,021
Taishan Power	South China Power Grid	Guangdong	177.2	166.4	3,462	312	369	5,090	30	5,120	4,096
Huizhou Thermal	South China Power Grid	Guangdong	39.5	35.8	5,992	311	347	660	–	660	660
Fujian Energy	East China Power Grid	Fujian	143.4	137.4	5,104	294	347	2,810	–	2,810	1,459
Jinjie Energy	North China Power Grid	Shaanxi	136.5	124.8	5,687	321	277	2,400	1,320	3,720	2,400
Shouguang Power	North China Power Grid	Shandong	102.1	97.2	5,053	278	343	2,020	–	2,020	1,212
Jiujiang Power	Central China Power Grid	Jiangxi	103.3	98.6	5,163	278	363	2,000	–	2,000	2,000
Sichuan Energy (coal-fired power)	Sichuan Power Grid	Sichuan	39.6	36.0	3,139	334	382	1,260	–	1,260	604
Mengjin Power	Central China Power Grid	Henan	44.1	41.2	3,672	304	301	1,200	–	1,200	612
Liuzhou Power	Guangxi Power Grid	Guangxi	32.0	30.4	4,572	316	309	700	–	700	490
EMM Indonesia	PLN	Indonesia	15.8	13.7	5,266	366	523	300	–	300	210
Total of coal-fired power plants/weighted average			<u>1,318.5</u>	<u>1,232.7</u>	<u>4,412</u>	<u>307</u>	<u>327</u>	<u>29,954</u>	<u>1,250</u>	<u>31,204</u>	<u>21,658</u>
Other power plants											
Beijing Gas Power	North China Power Grid	Beijing	38.4	37.5	4,045	192	563	950	–	950	950
Sichuan Energy (hydropower)	Sichuan Provincial Local Power Grid	Sichuan	6.4	6.3	5,124	–	232	125	–	125	48

Coal Resources Reserve

Mines	Coal resources (under PRC standard)			Recoverable reserve (under PRC standard)			Marketable reserve (under JORC standard)		
	As at 31	As at 31	Change	As at 31	As at 31	Change	As at 31	As at 31	Change
	December	December		December	December		December	December	
	2020	2019		2020	2019		2020	2019	
	<i>100 million tonnes</i>	<i>100 million tonnes</i>	<i>%</i>	<i>100 million tonnes</i>	<i>100 million tonnes</i>	<i>%</i>	<i>100 million tonnes</i>	<i>100 million tonnes</i>	<i>%</i>
Shendong Mines	156.0	158.1	(1.3)	88.9	90.5	(1.8)	44.4	46.3	(4.1)
Zhunge'er Mines	37.9	38.5	(1.6)	30.2	30.8	(1.9)	19.5	20.1	(3.0)
Shengli Mines	19.9	20.1	(1.0)	13.5	13.7	(1.5)	1.8	2.0	(10.0)
Baorixile Mines	13.5	13.7	(1.5)	11.3	11.5	(1.7)	11.6	11.8	(1.7)
Baotou Mines	0.5	0.5	–	0.3	0.3	–	0.0	0.0	/
Xinjie Mines (under exploration rights permit to Taigemiao North Area)	64.2	64.2	–	/	/	/	/	/	/
Others	4.8	4.8	–	/	/	/	/	/	/
Total	296.8	299.9	(1.0)	144.2	146.8	(1.8)	77.3	80.2	(3.6)

Shipping Volume

	2020 <i>million tonnes</i>	2019 <i>million tonnes</i>	Change <i>%</i>
The Group's internal customers	43.0	44.7	(3.8)
External customers	70.0	65.1	7.5
Total of shipping volume	113.0	109.8	2.9

II. SUMMARY OF OPERATIONS IN 2020

In 2020, in the face of the complicated domestic and international environment and the severe impact of the COVID-19 pandemic, the Group actively responded, precisely implemented measures, enhanced the supply-sales channels, and gave full play to the integrated operation advantages to better achieve the annual operation targets.

The Group recorded a profit before tax for the year of RMB59,362 million (2019: RMB64,922 million), representing a year-on-year decrease of 8.6%; a profit for the year attributable to equity holders of the Company of RMB35,849 million (2019: RMB41,707 million), and basic earnings per share of RMB1.803/share (2019: RMB2.097/share), representing a year-on-year decrease of 14.0%.

		Actual amount for 2020	Target for 2020	Proportion of Completion %	Actual amount for 2019	Year-on-year change %
Commercial coal production	100 million tonnes	2,916	2.68	108.8	2,827	3.1
Coal sales	100 million tonnes	4,464	4.03	110.8	4,471	(0.2)
Power generation	100 million kWh	1,363.3	1,451	94.0	1,535.5	(11.2)
Revenue	RMB100 million	2,332.63	2,163	107.8	2,418.71	(3.6)
Costs	RMB100 million	1,623.74	1,484	109.4	1,649.79	(1.6)
Sales, General and Administration, R&D fee and net finance costs	RMB100 million	114.44	143	80.0	126.92	(9.8)
Changes in unit production costs of self-produced coal	/	Year-on-year increase of 3.6%	Year-on-year increase of approximately 8%	/	Year-on-year increase of 16.1%	/

III. MAJOR OPERATION RESULTS DURING THE REPORTING PERIOD

(I) Analysis on principal business

Changes in the Major Items in the Consolidated Statement of Profit or Loss and Consolidated Statement of Cash Flows

Unit: RMB million

Items	2020	2019	Change %
Revenue	233,263	241,871	(3.6)
Cost of sales	(162,374)	(164,979)	(1.6)
Research and development costs	(1,362)	(940)	44.9
Other gains and losses	(194)	(2)	9,600.0
Loss allowances, net of reversal	(524)	(139)	277.0
Other expenses	(1,090)	(278)	292.1
Interest income	1,684	1,170	43.9
Finance costs	(2,263)	(3,294)	(31.3)
Share of results of associates	947	433	118.7
Income tax expense	(15,378)	(15,145)	1.5
Net cash inflows from operating activities	81,289	63,106	28.8
Of which: Net cash inflows from operating activities of Shenhua Finance Company ^{Note}	18,599	(3,662)	(607.9)
Net cash inflows from operating activities excluding the effect of Shenhua Finance Company	62,690	66,768	(6.1)
Net cash inflows/(outflows) in investing activities	32,048	(46,307)	(169.2)
Net cash outflows in financing activities	(42,079)	(37,172)	13.2

Note: As Finance Company provides financial services including deposits and loans for entities other than the Group, the item represents the cash flows of deposits and loans and interest, fees and commission generated from this business from January to August 2020.

1. Revenue and costs

(1) Factors affecting the revenue

The revenue of the Group in 2020 recorded a year-on-year decrease. The main reasons for the decrease are:

- ① The year-on-year decrease of 3.8% in the Group's average sales price of coal resulted in the decrease in revenue from coal sales;
- ② Change in consolidation scope of financial statement of the Company and year-on-year decrease in power output dispatch and average power output price resulted in the decrease in revenue from sale of power : (i) the revenue in January 2019 including the revenue generated from the power assets invested by the Company in the transaction of establishing Beijing GD Power is no longer consolidated to the consolidated financial statement of the Company since February 2019; (ii) except the above factor, year-on-year decrease of 2.6% in power output dispatch and decrease of 1.2% in average power output price of the Group in 2020 on a comparative basis.

Major operating indicators	Unit	2020	2019	Change for 2020 compared with that for 2019 %	2018
(I) Coal					
1. Commercial coal production	Million tonnes	291.6	282.7	3.1	296.6
2. Coal sales	Million tonnes	446.4	447.1	(0.2)	460.9
Of which: Self-produced coal	Million tonnes	296.0	284.8	3.9	300.7
Purchased coal	Million tonnes	150.4	162.3	(7.3)	160.2
(II) Transportation					
1. Turnover of self-owned railway	Billion tonne km	285.7	285.5	0.1	283.9
2. Loading volume at Huanghua Port	Million tonnes	203.8	199.7	2.1	/
3. Loading volume at Shenhua Tianjin Coal Dock	Million tonnes	45.4	44.7	1.6	/
4. Shipping volume	Million tonnes	113.0	109.8	2.9	103.6
5. Shipment turnover	Billion tonne nautical miles	93.0	89.6	3.8	89.9
(III) Power generation					
1. Gross power generation	Billion kWh	136.33	153.55	(11.2)	285.32
2. Total power output dispatch	Billion kWh	127.65	144.04	(11.4)	267.59
(IV) Coal chemical					
1. Sales of polyethylene	Thousand tonnes	356.9	319.0	11.9	315.4
2. Sales of polypropylene	Thousand tonnes	331.2	302.3	9.6	297.7

Note: According to the comparative basis, the power generation and power output dispatch of the Group in 2019 were 139.78 billion kWh and 131.04 billion kWh, respectively.

(2) *Analysis of costs*

Unit: RMB million

Breakdown of cost items	Amount for 2020	Percentage to cost of sales for 2020 %	Amount for 2019	Percentage to cost of sales for 2019 %	Year-on- year change in amount %
Cost of coal purchased	48,742	30.0	53,831	32.6	(9.5)
Raw materials, fuel and power	19,501	12.0	19,863	12.0	(1.8)
Personnel expenses	16,066	9.9	15,585	9.5	3.1
Depreciation and amortisation	16,647	10.3	16,798	10.2	(0.9)
Repairs and maintenance	9,124	5.6	9,491	5.8	(3.9)
Transportation charges	15,076	9.3	16,155	9.8	(6.7)
Tax and surcharge	10,926	6.7	10,299	6.2	6.1
Others	26,292	16.2	22,957	13.9	14.5
Total cost of sales	<u>162,374</u>	<u>100.0</u>	<u>164,979</u>	<u>100.0</u>	<u>(1.6)</u>

Among the cost of sales of the Group in 2020:

- ① Main reason for the year-on-year decrease in the cost of coal purchased: decreases in sales volume of coal purchased and unit purchase cost of the Group;
- ② Main reason for the year-on-year decrease in the transportation charges: decreases in volume of coal transported by state-owned railways and cost of vessel lease;
- ③ Main reason for the increase in tax and surcharges over the same period: the increase of resource tax rate in major coal district of the Group, resulting in the increase of resource tax;
- ④ Main reason for the year-on-year increase in other costs: the Indonesia Java No. 7 Power Generating Project was audited based on the service concession arrangement, resulting in the increase in operation cost of single unit business and increase of the relevant cost of port dredging business.

Unit: RMB million

**Cost of sales by business segment
(before eliminations on consolidation)**

Business segment	Items of costs	2020	2019	Change %
Coal	Cost of coal purchased, raw materials, fuel and power, personnel expenses, repairs and maintenance, depreciation and amortisation, transportation charges, other costs, and taxes and surcharges	153,373	157,224	(2.4)
Power	Raw materials, fuel and power, personnel expenses, repairs and maintenance, depreciation and amortisation, other costs, other operating costs, and taxes and surcharges	38,729	40,540	(4.5)
Railway	Cost of internal transportation business (raw materials, fuel and power, personnel expenses, repairs and maintenance, depreciation and amortisation, external transportation charges, and other expenses), external transportation charges, other operating costs, and taxes and surcharges	20,304	20,641	(1.6)
Port	Cost of internal transportation business (raw materials, fuel and power, personnel expenses, repairs and maintenance, depreciation and amortisation, and other expenses), external transportation charges, other operating costs, and taxes and surcharges	3,314	3,064	8.2

Business segment	Items of costs	2020	2019	Change %
Shipping	Cost of internal transportation business (raw materials, fuel and power, personnel expenses, repairs and maintenance, depreciation and amortisation, external transportation charges, and other expenses), external transportation charges, and taxes and surcharges	2,755	2,913	(5.4)
Coal chemical	Raw materials, fuel and power, personnel expenses, repairs and maintenance, depreciation and amortisation, other expenses, other operating costs, and taxes and surcharges	4,675	4,693	(0.4)

(3) Major Business segments

The major business model of the Group is the integrated coal industry chain: i.e. coal production → coal transportation (railway, port and shipping) → conversion of coal (power and coal chemical), and there are business intercourses between each segment. The percentages of profits (before elimination on consolidation) from operations of coal, power, transportation and coal chemical segments of the Group was 52%, 14%, 34% and 0% in 2020 respectively (2019: 52%, 15%, 32% and 1%).

Major business segments in 2020 (before eliminations on consolidation)

Business segment	Revenue <i>RMB million</i>	Cost of sales <i>RMB million</i>	Gross profit margin %	Increase/decrease in revenue as compared with previous year %	Increase/decrease in cost of sales as compared with previous year %	Increase/decrease in gross profit margin as compared with previous year
Coal	190,029	(153,373)	19.3	(3.7)	(2.4)	Decreased by 1.1 percentage points
Power	49,486	(38,729)	21.7	(6.0)	(4.5)	Decreased by 1.3 percentage points
Railway	38,723	(20,304)	47.6	(2.5)	(1.6)	Decreased by 0.4 percentage points
Port	6,359	(3,314)	47.9	7.3	8.2	Decreased by 0.4 percentage points
Shipping	3,112	(2,755)	11.5	(5.6)	(5.4)	Decreased by 0.1 percentage points
Coal chemical	5,165	(4,675)	9.5	(3.0)	(0.4)	Decreased by 2.4 percentage points

(4) *Analysis of the production and sales volume*

Major products	Unit	Production	Sales volume	Inventory at the end of the period %	Year-on-year increase/decrease in production volume %	Year-on-year increase/decrease in sales volume %	Increase/decrease in inventory as compared with the beginning of the year
Coal	million tonnes	291.6	446.4	19.7	3.1	(0.2)	(13.6)
Power	billion kWh	136.33	127.65	/	(11.2)	(11.4)	/

(5) Major customers

In 2020, the total revenue from the top five customers of the Group amounted to RMB87,857 million, accounting for 37.7% of the revenue of the Group, including the revenue of the Group from its largest customer of RMB65,260 million, accounting for 28.0% of the revenue of the Group. The largest customer of the Group was China Energy and its subsidiaries, the controlling shareholder of the Company. The Group mainly sells coal products and provides coal transportation service to the company.

Except for the above, as far as the Board of the Company is aware, none of the Directors of the Company, their close associates or shareholders holding more than 5% of shares of the Company has any interest in the top five customers of the Group. The Group has maintained long-term cooperative relationship with the top five customers. The Company is of the view that such cooperative relationship would not cause material risk to the business of the Group.

(6) Major suppliers

In 2020, the total procurement from the top five suppliers of the Group amounted to RMB22,436 million, accounting for 17.5% (less than 30%) of the total procurement for the year, among which, the procurement from the largest supplier amounted to RMB10,725 million, representing 8.3% of the total procurement for the year.

2. Other items of income statement

- (1) Other gains and losses were aggregated as losses, the main reasons for increase year-on-year: the relevant accumulated fair value gains were realized and transferred for the recovery of wealth management products of banks upon maturity.
- (2) Main reasons for year-on-year increase of loss allowances: provision for bad debt loss for some coal sales receivable and the receivables.
- (3) Main reasons for year-on-year increase of other expenses: expenditure related to rectification of certain coal mines has increased; debt guarantee losses and loss on write-off of fixed assets were expected to increase during the reporting period as compared with the same period last year.

- (4) Main reasons for the year-on-year increase of interest income: Deconsolidation of Finance Company, the interest income deposited by the Group in the Finance Company will no longer be offset on a consolidated basis, and an increase in the average balance of deposits with financial institutions other than Finance Company.
- (5) Main reasons for the year-on-year decrease in finance costs: lowered interest rate of loan market, and the repayment of matured bonds during the reporting period.
- (6) The main reason for year-on-year increase of profit and loss attributable to associates: the year-on-year increase in the Company's investment income from Beijing GD Power and other associates.
- (7) Main reasons for year-on-year increase of income tax: Since some subsidiaries of the Group enjoy the preferential income tax rate of 15% for the Western Development, in 2020, such subsidiaries will calculate the annual income tax at the income tax rate of 25%. This increased the Group's average income tax rate to 25.9%, representing a year-on-year increase of 2.6 percentage points.

3. Research and development expenditure

Expensed research and development expenditure in the period (<i>RMB million</i>)	1,362
Capitalised research and development expenditure in the period (<i>RMB million</i>)	787
Total research and development expenditure (<i>RMB million</i>)	2,149
Ratio of capitalised research and development expenditure (%)	36.6
Percentage of total research and development expenditure to revenue (%)	0.9
Number of research and development personnel in the Company (<i>number of person</i>)	2,904
The ratio of research and development personnel to the total number of persons in the Company (%)	3.8

In 2020, investment in the research and development of the Group amounted to RMB2,149 million (2019: RMB1,245 million), which is mainly utilized in development of the technology and equipment integration of intelligent and mechanised mining with massive in Shendong Mines, key technology development and demonstration project for open-pit coal mine underground reservoir; 150,000 tonnes/year level whole-flow demonstration project of capture and storage of CO₂; research and application of railway intelligent loading and conveying system, the moving block expansion test and engineering application of heavy-haul railway, the intelligent driving technology of AC drive freight electric locomotive, research and development of technology and equipment of condition maintenance of freight cars.

4. Cash flow

The Group formulated capital management policies that aimed to achieve maximized interests for the shareholders and maintained a sound capital structure as well as reduced the costs of capital under the premise of safeguarding the operation on an on-going basis, and the capital was invested in accordance with the policy of the Company.

- (1) Net cash generated from operating activities: net cash generated in 2020 recorded a year-on-year increase of 28.8%, of which, net cash inflows from operating activities of Finance Company was RMB18,599 million (2019: RMB3,662 million used in operating activities), representing a year-on-year change of 607.9%, which was mainly attributable to the increase in deposits accepted by Finance Company for the period from January to August 2020 and the corresponding increase in net cash inflow, while the loans issued decreased year on year. After excluding the effects of Finance Company, net cash of operating activities of the Group represented a year-on-year decrease of 6.1%, which was mainly attributable to the decrease in cash flows due to decreased income.
- (2) Net cash inflows in investing activities: net cash inflows of RMB32,048 million in 2020 recorded a year-on-year change of 169.2% (2019: net outflow of RMB46,307 million), which was mainly attributable to the recovery of due wealth management products, and the year-on-year decrease in cash paid for investment during the reporting period.
- (3) Net cash used in financing activities: net cash outflows in 2020 recorded a year-on-year increase of 13.2%, which was mainly attributable to the increase in the percentage of dividends payable by the Company, and the increase in final dividend for 2019 as compared to 2018.

(II) Analysis on Assets and Liabilities

1. Assets and Liabilities

Unit: RMB million

Items	Amount at the end of the year	Percentage of total assets at the end of the year %	Amount at the end of the previous year	Percentage of total assets at the end of the previous year %	Change of the amount at the end of the year compared to the end of the previous year %	Main reasons for changes
Construction in progress	39,845	7.1	34,495	6.1	15.5	The Group pushed forward construction in progress, such as the construction of Huangda Railway, Sichuan Jiangyou Coal Reserves Power Integration Project and Hunan Yongzhou Phase I Project
Exploration and evaluation assets	0	0.0	484	0.1	(100.0)	Exploitation rights of Watermark Open-pit Mine Project in Australia was made full provision for impairment
Interests in associates	49,556	8.8	40,539	7.2	22.2	Due to Deconsolidation of Finance Company's financial statements, and the Company recognized the long-term equity investment according to the equity method met in the Finance Company

Items	Amount at the end of the year	Percentage of total assets at the end of the year %	Amount at the end of the previous year	Percentage of total assets at the end of the previous year %	Change of the amount at the end of the year compared to the end of the previous year %	Main reasons for changes
Other non-current assets	35,890	6.4	54,006	9.6	(33.5)	Due to Deconsolidation of Finance Company's financial statements, the loans granted by Finance Company and treasury bonds purchased by Finance Company were no longer included in the Group
Inventories	12,750	2.3	12,053	2.1	5.8	Increase of spare tools and spare parts related to coal mine production
Accounts and bills receivables	11,759	2.1	10,436	1.9	12.7	The notes receivable of power generation and coal sales business increased
Prepaid expenses and other current assets	17,480	3.1	86,524	15.4	(79.8)	Due to Deconsolidation of Finance Company's financial statements, the short-term loans and advances of the Finance Company were no longer included in the Group, as well as recovery of interbank certificates of deposits upon maturity
Restricted bank deposits	3,391	0.6	7,664	1.4	(55.8)	Due to Deconsolidation of Finance Company's financial statements, the legal deposit reserves deposited by Finance Company with the Central Bank were no longer included in the Group

Items	Amount at the end of the year	Percentage of total assets at the end of the year %	Amount at the end of the previous year	Percentage of total assets at the end of the previous year %	Change of the amount at the end of the year compared to the end of the previous year %	Main reasons for changes
Time deposits with original maturity over three months	11,186	2.0	1,990	0.4	462.1	Increase in the Group's deposits with Finance Company
Cash and cash equivalents	112,880	20.1	41,827	7.4	169.9	Recovery of wealth management products and the effect of deconsolidation of Finance Company's financial statements
Assets classified as held for sale	2,783	0.5	0	0.0	N/A	Shendong Power signed the Equity Transfer Contract with China Energy Guoyuan Power Co., Ltd. ("Guoyuan Power"), which transferred the 100% equity of China Energy Shaanxi Fuping Thermal Power Co., Ltd. ("Fuping Thermal Power") to Guoyuan Power, which is mainly the relevant assets of Fuping Thermal Power
Short-term borrowings	8,847	1.6	4,172	0.7	112.1	Due to Deconsolidation of Finance Company's financial statements, the short-term borrowings of the Group borrowed from Finance Company were no longer offset;

Items	Amount at the end of the year	Percentage of total assets at the end of the year %	Amount at the end of the previous year	Percentage of total assets at the end of the previous year %	Change of the amount at the end of the year compared to the end of the previous year %	Main reasons for changes
Accounts and bills payables	28,980	5.1	25,043	4.4	15.7	Increase in engineering, equipment and material payments due for coal mines and power plants under construction
Accrued expenses and other payables	18,949	3.4	53,578	9.5	(64.6)	Due to Deconsolidation of Finance Company's financial statements, the deposits it accepted were no longer included in the Group.
Bonds due within 1 year	0	0.0	3,488	0.6	(100.0)	The USD-denominated bonds classified as bonds due within one year in 2019 were due and repaid in January 2020
Long-term liabilities due within 1 year	689	0.1	1,493	0.3	(53.9)	Some of the matters involved in the estimated liabilities were solved, and the relevant accounts payable decreased
Income tax payable	6,313	1.1	2,727	0.5	131.5	In 2020, the enterprise income tax of some subsidiaries of the Group that originally enjoyed the preferential tax rate of 15% for Western Development will be calculated at the rate of 25%

Items	Amount at the end of the year	Percentage of total assets at the end of the year %	Amount at the end of the previous year	Percentage of total assets at the end of the previous year %	Change of the amount at the end of the year compared to the end of the previous year %	Main reasons for changes
Long-term borrowings	50,251	8.9	36,943	6.6	36.0	Due to Deconsolidation of Finance Company's financial statements, the long-term borrowings of the Group borrowed from Finance Company were no longer consolidated and offset
Long-term payables	2,661	0.5	2,201	0.4	20.9	Due to the continuous loss of Liangyi Railway Company, Shenbao Energy is expected to repay the principal and interest on behalf of Liangyi Railway Company; the new fixed assets for financing leasing of the railway segment
Accrued reclamation obligations	6,169	1.1	3,372	0.6	82.9	Increase in mine environment restoration fund accrued by the Company as in accordance with the relevant requirements of the local government

2. *Restrictions on main assets*

The Group is free from seizure and detention of main assets. As at the end of the reporting period, the balance of the restricted assets of the Group was RMB5,178 million, among which, security deposits for bank acceptance bills, relevant deposits related to port operations, deposit for letter of credit and mine geographical environment governance recovery fund amounted to RMB3,391 million in total; Other restricted assets mainly consisted of fixed assets, intangible assets and various deposits secured and guaranteed for acquiring bank borrowings.

3. *Distributable reserves*

As of 31 December 2020, the distributable reserves of the Company were RMB183,374 million.

(III) Operation results by business segment

1. *Coal segment*

(1) *Production, operation and construction*

The majority of the coal products produced and sold by the Group were thermal coal. In 2020, the Group overcame the impact of COVID-19 pandemic, took multiple measures to guarantee coal production and market supply, and realized a commodity coal output of 291.6 million tonnes (2019: 282.7 million tonnes), representing a year-on-year increase of 3.1%. The total footage of advancing tunnels at underground mines was 426 thousand meters (2019: 356 thousand meters), representing an increase of 70 thousand meters year on year, of which, the total footage of advancing tunnels at Shendong Mines was 377 thousand meters.

We strive to improve the quality and efficiency of coal business. The coal slurry reduction process was promoted in coal preparation plants, and the structure of coal products was continuously optimized. The average calorific value of self-produced commercial coal increased by 20 kcal/kg compared with the previous year.

We promote the parallel development of coal mining and environmental protection. We will continue to optimize production processes, accelerate technological transformation, and achieve remarkable results in soil pollution control and ecological restoration. There were 20 national or provincial-level green mines, representing an increase of 8 compared with the previous year; the reclamation rate of Zhunge'er Mines reached 100%, the vegetation coverage was over 80%, and the soil erosion control rate reached 80%.

Great progress has been made in intelligent coal mining. In Shendong Mines, 10 intelligent fully mechanised mining surface, 3 intelligent demonstration projects and 3 kinds of intelligent comprehensive mining models have been set up. Yujialiang Mines realizes transparent and intelligent coal mining in medium-thick and thin coal seams; Shigetai Mines realizes intelligent mining in thin coal seams and other heights; Jinjie Coal Mine implements intelligent coal cutting in prediction.

We will accelerate the application for mining land and access to mining resources to ensure the continuity and stability of coal production. Zhunge'er Mines has obtained the blank area mining right between Ha'erwusu and Heidaigou Open-pit Mine, and the processing of resource mining license for the expanded area of Wanli No.1 Mines has been steadily advanced.

In 2020, the Group's coal exploration expenses (which were incurred before the conclusion of feasibility study and represented the expenses related to exploration and evaluation of coal resources) amounted to approximately RMB22 million (2019: RMB12 million), which was mainly attributable to the relevant expenses of Watermark Project in Australia. The Group's relevant capital expenditure of mining development and exploration amounted to approximately RMB3,152 million (2019: RMB2,175 million), which was mainly attributable to the acquisition of fixed assets and engineering construction expenditures in relation to coal mining for Shendong Mines, Shengli Mines, Zhungeer Mines, and the expenditure on the preliminary development of Taigemiao District of Xinjie Mining Area.

The Group has independently operated railway collection and distribution channels. These channels are centralised and distributed in the rim of self-owned core mines, and can transport coal in the core mines.

(2) Sales of coal

The coal sold by the Group is mainly self-produced coal. In order to fulfill the needs of customers and adequately make use of railways transportation, the Group also purchased the coal from third parties in the surrounding areas of the self-owned mines and railways and produced different kinds and levels of coal products and sold them to external customers. The Group implemented specialised division management. Production enterprises are responsible for production of coal, and the sales group of the Company is mainly responsible for sales of coal. Customers are involved in different industries, such as power, metallurgy, chemical and construction materials.

In 2020, the Group overcame the negative impact of periodical imbalance of demand and supply in the coal market and substantial fluctuation of coal price, further improved the sales network, enriched the logistics modes, and ensured the stable operation of production-transportation-sales integration. During the year, sales volume of coal of the Group reached 446.4 million tonnes (2019: 447.1 million tonnes), representing a year-on-year decrease of 0.2%. Sales volume of coal under the annual long-term contracts was 190.0 million tonnes, accounting for 42.5% of the domestic sales volume of coal of the Group, of which 144.5 million tonnes of coal were sold to 15 external customers who had signed the three-year (2019-2021) thermal coal annual long-term contract and accounts for 76.1% of the annual long-term contract sales volume. The sales volume for the top five external coal customers was 153.3 million tonnes, accounting for 34.3% of the total coal sales volume; in particular, the sales volume of China Energy, the largest customer, was 133.1 million, representing 29.8% of the total coal sales volume. The top five external coal customers are mainly electrical, chemical and coal trading companies. The domestic seaborne coal sales for the year reached 267.4 million tonnes, accounting for 35.7% of 750 million tonnes of the seaborne coal volume of major ports in China.

The Group implemented three unified pricing mechanisms, namely, the pricing mechanisms for annual long-term contracts, monthly long-term contracts and spot commodity, for all internal and external customers. In 2020, the average coal sales price of the Group was RMB410/tonne (tax exclusive) (2019: RMB426/tonne (tax exclusive)), representing a year-on-year decrease of 3.8%.

The production and sales of each kind of coal of the Group in 2020 are set out below:

Types of coal	Output <i>Million tonnes</i>	Sales volume <i>Million tonnes</i>	Sales income <i>RMB million</i>	Sales cost <i>RMB million</i>	Gross profit <i>RMB million</i>
Thermal coal	291.6	445.9	182,645	140,369	42,276
Others	<u>1</u>	<u>0.5</u>	<u>436</u>	<u>435</u>	<u>1</u>
Total	<u>291.6</u>	<u>446.4</u>	<u>183,081</u>	<u>140,804</u>	<u>42,277</u>

As coal products were in great variety with a large sales volume, and some of self-produced coal products were transported and sold together with purchased coal, the Group cannot present the revenue, cost of sales and gross profit by source of coal (self-produced coal and purchased coal).

The coal sales of the Group in 2020 is set out below:

① By contract pricing mechanisms

	2020			2019			Changes	
	Proportion	Price		Proportion	Price		Price	
	Sales	of total	(exclusive	Sales	of total	(exclusive	Sales	(exclusive
	volume	sales	of tax)	volume	sales	of tax)	volume	of tax)
	<i>Million</i>		<i>RMB/</i>	<i>Million</i>		<i>RMB/</i>		
	<i>tonnes</i>	<i>%</i>	<i>tonne</i>	<i>tonnes</i>	<i>%</i>	<i>tonne</i>	<i>%</i>	<i>%</i>
I. Sales through sales group								
Limited	430.1	96.3	419	431.0	96.4	434	(0.2)	(3.5)
1. Annual long-term contracts	190.0	42.5	380	193.3	43.2	392	(1.7)	(3.1)
2. Monthly long-term contracts	163.5	36.6	465	176.9	39.6	478	(7.6)	(2.7)
3. Spot commodity	76.6	17.2	418	60.8	13.6	440	26.0	(5.0)
II. Direct sales in coal mines	<u>16.3</u>	<u>3.7</u>	<u>176</u>	<u>16.1</u>	<u>3.6</u>	<u>204</u>	<u>1.2</u>	<u>(13.7)</u>
Total sales volume/average price (exclusive of tax)	<u>446.4</u>	<u>100.0</u>	<u>410</u>	<u>447.1</u>	<u>100.0</u>	<u>426</u>	<u>(0.2)</u>	<u>(3.8)</u>

Note: The above is the summary of the sales of coal products with different calorific values.

② By internal and external customers

	2020			2019			Changes	
	Proportion	Price		Proportion	Price		Price	
Sales	of total	(exclusive	Sales	of total	(exclusive	Sales	(exclusive	
volume	sales	of tax)	volume	sales	of tax)	volume	of tax)	
<i>Million</i>		<i>RMB/</i>	<i>Million</i>		<i>RMB/</i>			
<i>tonnes</i>	%	<i>tonne</i>	<i>tonnes</i>	%	<i>tonne</i>	%	%	
Sales to external customers	394.0	88.2	416	389.9	87.2	432	1.1	(3.7)
Sales to internal power segment	47.7	10.7	374	53.0	11.9	387	(10.0)	(3.4)
Sales to internal coal chemical segment	4.7	1.1	322	4.2	0.9	363	11.9	(11.3)
Total sales volume/average price (exclusive of tax)	<u>446.4</u>	<u>100.0</u>	<u>410</u>	<u>447.1</u>	<u>100.0</u>	<u>426</u>	<u>(0.2)</u>	<u>(3.8)</u>

③ By sales regions

	2020			2019			Changes	
	Proportion	Price		Proportion	Price		Price	
Sales	of total	(exclusive	Sales	of total	(exclusive	Sales	(exclusive	
volume	sales	of tax)	volume	sales	of tax)	volume	of tax)	
<i>Million</i>		<i>RMB/</i>	<i>Million</i>		<i>RMB/</i>			
<i>tonnes</i>	%	<i>tonne</i>	<i>tonnes</i>	%	<i>tonne</i>	%	%	
I. Domestic sales	444.3	99.5	410	442.3	98.9	425	0.5	(3.5)
(I) Self-produced coal and purchased coal	429.5	96.2	411	430.6	96.3	427	(0.3)	(3.7)
1. Direct arrival	162.1	36.3	317	162.6	36.4	329	(0.3)	(3.6)
2. Seaborne	267.4	59.9	468	268.0	59.9	486	(0.2)	(3.7)
(II) Sales of domestic trading coal	9.7	2.2	353	8.2	1.8	343	18.3	2.9
(III) Sales of imported coal	5.1	1.1	418	3.5	0.8	441	45.7	(5.2)
II. Export sales	0.7	0.2	556	1.7	0.4	626	(58.8)	(11.2)
III. Overseas sales	1.4	0.3	435	3.1	0.7	446	(54.8)	(2.5)
Total sales volume/average price (exclusive of tax)	<u>446.4</u>	<u>100.0</u>	<u>410</u>	<u>447.1</u>	<u>100.0</u>	<u>426</u>	<u>(0.2)</u>	<u>(3.8)</u>

(3) *Production safety*

In 2020, the Group took various measures to ensure coal mine production safety. The Group fully carried out the three-year special rectification action for safety production with generally stable situation of safety production, conducted safety supervision to ensure the implementation of the safety system, as well as upgraded the equipment and facilities of the emergency rescue base to improve safety guarantee capability. In 2020, the fatality rate per million tonnes of raw coal output in the coal mines of the Group was 0.0034, which was below the national average of 0.0580.

Efforts in ensuring safe coal production are detailed in the 2020 ESG Report of the Company.

(4) *Coal resources*

As at 31 December 2020, under the PRC Standard, the Group had coal reserves amounting to 29.68 billion tonnes, representing a decrease of 0.31 billion tonnes as compared with that of the end of 2019 and recoverable coal reserve amounting to 14.42 billion tonnes, representing a decrease of 0.26 billion tonnes as compared with that of the end of 2019. The Group's marketable coal reserve amounted to 7.73 billion tonnes under the JORC Standard, representing a decrease of 0.29 billion tonnes as compared with that of the end of 2019.

Unit: '00 million tonnes

Mines	Coal reserve (under the PRC Standard)	Recoverable coal reserve (under the PRC Standard)	Marketable coal reserve (under the JORC Standard)
Shendong Mines	156.0	88.9	44.4
Zhunge'er Mines	37.9	30.2	19.5
Shengli Mines	19.9	13.5	1.8
Baorixile Mines	13.5	11.3	11.6
Baotou Mines	0.5	0.3	0.0
Xinjie Mines (under exploration rights permit to Taigemiao North Area)	64.2	—	—
Others	4.8	—	—
Total	<u>296.8</u>	<u>144.2</u>	<u>77.3</u>

Notes:

1. As of 31 December 2020, the marketable coal reserve of Baotou Mines under the JORC Standard was 547 thousand tonnes.

Characteristics of the commercial coal produced in the Company's major mines are as follows:

No.	Mines	Major types of coal	Calorific value of major commercial coal products kcal/kg	Sulphur Content %	Ash content average, %
1	Shendong Mines	Long flame coal/ non-caking coal	5,000–5,800	0.2–0.6	5–18
2	Zhunge'er Mines	Long flame coal	4,700–5,300	0.4–0.6	18–26
3	Shengli Mines	Lignite	2,900–3,100	0.7–0.8	18–22
4	Baorixile Mines	Lignite	3,500–3,700	0.15–0.3	12–15
5	Baotou Mines	Long flame coal/ non-caking coal	4,300–4,800	0.5–1.0	10–15

Note: The above calorific value, sulphur content and ash content of major commercial coal products produced by each mine may be inconsistent with the characteristics of the commercial coal products produced by individual mine and those of the commercial coal products sold by the Company due to geological conditions and production process.

(5) Operating results

- ① The operating results of the coal segment of the Group before elimination on consolidation

		2020	2019	Change %	Main reasons for changes
Revenue	RMB million	190,029	197,396	(3.7)	Decrease in average price of coal of the Group year-on-year

		2020	2019	Change %	Main reasons for changes
Cost of sales	RMB million	(153,373)	(157,224)	(2.4)	Decrease in sales volume and purchase price of purchased coal resulting in the reduction of the cost of purchased coal; decrease in volume of coal transported through national railways resulting in a reduction in transportation costs
Gross profit margin	%	19.3	20.4	Decreased by 1.1 percentage points	
Profit from operations	RMB million	29,832	33,188	(10.1)	
Profit margin from operations	%	15.7	16.8	Decreased by 1.1 percentage points	

② The sales gross profit of the coal of the Group before elimination on consolidation

	2020				2019			
	Revenue	Costs	Gross profit	Gross profit margin	Revenue	Costs	Gross profit	Gross profit margin
	RMB	RMB	RMB	%	RMB	RMB	RMB	%
	million	million	million	%	million	million	million	%
Domestic	182,082	139,976	42,106	23.1	188,052	142,718	45,334	24.1
Export and overseas	999	828	171	17.1	2,450	1,987	463	18.9
Total	183,081	140,804	42,277	23.1	190,502	144,705	45,797	24.0

③ Unit production cost of self-produced coal

Unit: RMB/tonne

	2020	2019	Change %	Main reasons for changes
Unit production cost of self-produced coal	139.6	134.8	3.6	
Raw materials fuel and power	27.1	26.2	3.4	The increase in depth of exploration led to the increase of related costs
Personnel expenses	27.8	27.0	3.0	Labor cost increased in certain coal mines
Repairs and maintenance	9.4	9.4	0.0	
Depreciation and amortisation	18.8	17.4	8.0	Increase in fixed assets of coal mines
Other costs	56.5	54.8	3.1	Increase mining construction fees and washing and processing fees year-on-year

Other costs consist of the following three components: (1) expenses directly related to production, including coal washing, selecting and processing expenses, and mining engineering expenses, etc., accounting for 63%; (2) auxiliary production expenses, accounting for 21%; (3) land requisition and surface subsidence compensation, environmental protection expenses and tax, accounting for 16%.

④ Cost of coal purchased from third parties

The coal purchased from third parties and sold by the Company includes coal purchased from the surrounding areas of the self-owned mines and railways, domestic trading coal, imported and re-exported coal.

In 2020, sales volume of coal purchased by the Group from third parties was 150.4 million tonnes (2019: 162.3 million tonnes), representing a year-on-year decrease of 7.3%, accounting for 33.7% of the Group's total sales volume of coal (2019: 36.3%). The costs of coal purchased from third parties for the year was RMB48,742 million (2019: RMB53,831 million), representing a year-on-year decrease of 9.5%.

2. Power segment

(1) Production and operations

In 2020, the Group strengthened its marketing measures to improve the stable operation of the units and the power generation efficiency has remained stable. The Group realised a total power generation of 136.33 billion kWh and a total power sales of 127.65 billion kWh throughout the year, accounting for 1.7% of 7,511 billion kWh of the total power consumption of the society in the corresponding period. In active response to the market-based reform of power, the market-based transaction power and power sales business developed rapidly. During the year, the Group has realised 67.54 billion kWh of market-based transaction power with a proportion of the total power output dispatch increased to 52.9%.

(2) Power consumption and power tariffs

Power type/ operation location	Gross power generation (billion kWh)			Total power output dispatch (billion kWh)			Power tariff (RMB/mWh)		
	2020	2019	Change %	2020	2019	Change %	2020	2019	Change %
(I) coal-fired power	131.85	135.18	(2.5)	123.27	126.54	(2.6)	327	332	(1.5)
Hebei	22.84	25.73	(11.2)	21.43	24.18	(11.4)	320	317	0.9
Shaanxi	26.07	26.53	(1.7)	23.88	24.37	(2.0)	277	277	0.0
Guangdong	21.68	21.11	2.7	20.21	19.69	2.6	365	389	(6.2)
Fujian	14.34	13.21	8.6	13.74	12.65	8.6	347	345	0.6
Inner Mongolia	7.59	7.44	2.0	6.90	6.74	2.4	224	229	(2.2)
Henan	4.41	5.18	(14.9)	4.12	4.88	(15.6)	301	308	(2.3)
Sichuan	3.96	3.87	2.3	3.60	3.52	2.3	382	392	(2.6)
Chongqing	5.64	6.55	(13.9)	5.40	6.26	(13.7)	360	353	2.0
Shandong	10.21	10.86	(6.0)	9.72	10.35	(6.1)	343	348	(1.4)
Guangxi	3.20	2.32	37.9	3.04	2.19	38.8	309	344	(10.2)
Jiangxi	10.33	10.78	(4.2)	9.86	10.31	(4.4)	363	359	1.1
Indonesia	1.58	1.60	(1.3)	1.37	1.40	(2.1)	523	523	0.0
(II) gas-fired power	3.84	3.90	(1.5)	3.75	3.81	(1.6)	563	573	(1.7)
Beijing	3.84	3.90	(1.5)	3.75	3.81	(1.6)	563	573	(1.7)
(III) hydropower	0.64	0.70	(8.6)	0.63	0.68	(7.4)	232	229	1.3
Sichuan	0.64	0.70	(8.6)	0.63	0.68	(7.4)	232	229	1.3
Subtotal	136.33	139.78	(2.5)	127.65	131.03	(2.6)	334	338	(1.2)
Other	-	13.77	-	-	13.01	-	-	-	-
Total	136.33	153.55	(11.2)	127.65	144.04	(11.4)	-	-	-

Note: In the above table, “others” refers to the power generation and power output dispatch in January 2019 of power plants contributed by the Company when establishing Beijing GD Power.

(3) *Installed capacity*

At the end of the reporting period, the total installed capacity of power generation of the Group reached 32,279MW, among which, the total installed capacity of the coal-fired power generators was 31,204MW, accounting for 2.5% of the total installed capacity of thermal power generators of the society (being 1.25 billion kW1).

Unit: MW

Power type	Gross installed capacity as at 31 December 2019	Installed capacity increased/ (decreased) during the reporting period	Gross installed capacity as at 31 December 2020
Coal-fired power	29,954	1,250	31,204
Gas-fired power	950	0	950
Hydro power	125	0	125
Total	31,029	1,250	32,279

In 2020, the Group’s variation of installed capacity for coal-fired power generating units are as follows:

Unit	Location	Installed capacity increased/ (decreased) MW	Description
No. 5, 6 Unit of Phase III of Jinjie Coal and Power Integration Project	Shaanxi	1,320	Operation of newly-added generating unit
Unit No. 4 of Taishan Power	Guangdong	30	Reduction in consumption, transform and increase in capacity
Unit No. 1, 2 of Shenhua Shendong Power Chongqing Wanzhou Harbor Co., Ltd.	Chongqing	(100)	Adjustment in accordance with the approved capacity of generating unit of power business license
Total	–	1,250	

As at the end of 2020, the major coal-fired power generating units under construction and approved but not yet constructed by the Group are as follows:

Project	Location	Planned installed capacity
Inner Mongolia Shengli Power Plant	Inner Mongolia	2 × 660 MW
Phase I of Hunan Yongzhou Power Plant Project	Hunan	2 × 1,000 MW
Sichuan Jiangyou Coal Reserves Power Integration Project	Sichuan	2 × 1,000 MW
Fujian Luoyuanwan Port Power Storage Integration Project	Fujian	2 × 1,000 MW
Guangxi Beihai Thermal Power Plant Project	Guangxi	2 × 1,000 MW

(4) Utilisation rate of power generation equipment

The average utilisation hours of coal-fired generators of the Group reached 4,412 hours for the year of 2020, representing a year-on-year decrease of 173 hours and 72 hours above the national average utilisation hours (being 4,340¹ hours) of coal-fired power plant equipment with capacity of 6,000kW and above.

Power type	Average utilisation hours (Hour)			Power consumption rate of power plant (%)		
	2020	2019	Change %	2020	2019	Change
Coal-fired power (includes Gangue-fired Power Plant)	4,412	4,585	(3.8)	5.73	5.73	–
Gas-fired power	4,045	4,092	(1.1)	1.67	1.72	Decreased by 0.05 percentage points
Hydro power	5,124	5,567	(8.0)	0.30	0.26	Increased by 0.04 percentage points
Weighted average	4,403	4,574	(3.7)	5.59	5.60	Decreased by 0.01 percentage points

¹ Data source: China Electricity Council

(5) *Market Transaction of Power*

	2020	2019	Change %
Total volume of power in market-based transactions (billion kWh)	67.54	41.72	61.9
Total volume of on-grid power (billion kWh)	127.65	144.04	(11.4)
Percentage of the power in market-based transactions (%)	52.9	29.0	Increased by 23.9 percentage points

(6) *Operation results of the power sales business*

The Group owns three power sales companies located in Shandong, Jiangsu and Guangdong, respectively. The principal operation model is to make profit through the price difference between sales and purchase of electricity, to provide customers with value-added services, including preventive test of transformers, insulation test, energy-saving diagnosis, power consumption related data, etc.. The provision of value-added services has positive impact on the Group's development of the electricity market and enhancement of its competitiveness.

In 2020, the power output dispatch of purchased electricity sold by the above three power sales companies was 6.51 billion kWh, achieving total income of RMB208 million with total operating cost of RMB96 million.

No.	Province of the power sales companies	sold power billion kWh		Average selling price of sold power (excluding tax) RMB/MWh	
		2020	2019	2020	2019
1	Shandong	0.69	0.37	339	332
2	Jiangsu	4.76	2.82	367	370
3	Guangdong	1.06	1.19	371	372

(7) *Capital Expenditure*

In 2020, the total capital expenditure of the power generation segment was RMB7,766 million, mainly for the following items:

Unit: RMB Million

No.	Name of Project	The contribution amount for the Reporting Period	Percentage of accumulated investment in project
			The accounting for the total budget as of the end of the Reporting Period %
1	Sichuan Jiangyou Coal Reserves Power Integration Project (2×1,000MW)	1,575	66
2	Phase I of Hunan Yongzhou Project(2×1,000MW)	1,169	35
3	Shaanxi Jinjie Coal Power Integration Project (2×660MW)	965	76
4	Phase I of Inner Mongolia Shengli Power Plant Construction(2×660MW)	488	31
5	Fujian Luoyuan Bay Port Power Storage Integration Project Power Plant Construction(2×1,000MW)	234	37

(8) *Operation results*

① The operation results of the power segment of the Group before elimination on consolidation

		2020	2019	Change %	Main reasons for changes
Revenue	RMB million	49,486	52,626	(6.0)	Exclusion of the investment in the establishment of the power plant contributed by Beijing GD Power in the consolidation of the Group's account from February 2019; decrease in electricity sales and average electricity price year-on-year
Cost of sales	RMB million	(38,729)	(40,540)	(4.5)	Decrease in coal-fired costs of power plants
Gross profit margin	%	21.7	23.0	Decreased by 1.3 percentage points	
Profit from operations	RMB million	7,976	9,779	(18.4)	
Profit margin from operations	%	16.1	18.6	Decreased by 2.5 percentage points	

② Revenue and cost from the sale of power of the Group before elimination on consolidation

Unit: RMB million

Power type	Revenue from sale of power			Cost of sale of power				
	2020	2019	Change	2020	Percentage to total cost of sale of power in 2020	2019	Percentage to total cost of sale of power in 2019	Change in 2020 over 2019
			%		%		%	%
Coal-fired power	42,188	49,125	(14.1)	33,084	93.9	37,411	94.1	(11.6)
Gas-fired power	2,111	2,338	(9.7)	2,074	5.9	2,282	5.7	(9.1)
Hydro power	146	156	(6.4)	88	0.2	91	0.2	(3.3)
Wind power	0	0	N/A	0	0.0	1	0.0	(100.0)
Total	<u>44,445</u>	<u>51,619</u>	<u>(13.9)</u>	<u>35,246</u>	<u>100.0</u>	<u>39,785</u>	<u>100.0</u>	<u>(11.4)</u>

The Group's cost of sale of power is mainly comprised of such costs as raw materials, fuel and power, personnel expenses, depreciation and amortisation and other costs. repairing and maintenance, The unit cost of power output dispatch of the Group in 2020 was RMB276.1/MWh (2019: RMB276.2/MWh).

The power segment consumed a total of 47.8 million tonnes of China Shenhua's coal, accounting for 82.6% of the total thermal coal consumption (being 57.9 million tonnes), representing a year-on-year decrease of 4.4 percentage points, primarily due to the relatively low procurement price of purchased coal in the second quarter of 2020 and the increase in coals purchased by the power plant.

③ Cost of sale of power of coal-fired power plant of the Group before elimination on consolidation

	2020		2019		Change
	Costs	Percentage	Costs	Percentage	in costs
	<i>RMB</i>		<i>RMB</i>		
	<i>million</i>	<i>%</i>	<i>million</i>	<i>%</i>	<i>%</i>
Raw materials, fuel and power	23,103	69.9	26,802	71.7	(13.8)
Personnel expenses	2,265	6.8	2,328	6.2	(2.7)
Repairs and maintenance	1,989	6.0	1,862	5.0	6.8
Depreciation and amortisation	4,742	14.3	5,133	13.7	(7.6)
Others	985	3.0	1,286	3.4	(23.4)
Total cost of sale of power of coal-fired power plant	<u>33,084</u>	<u>100.0</u>	<u>37,411</u>	<u>100.0</u>	<u>(11.6)</u>

3. *Railway segment*

(1) *Production and operations*

In 2020, the Group has actively implemented the state policy of “road to railway”, promoted the construction of Huangda Railway, special lines and connect lines, and continuously optimized the road network layout. The Group promoted the market reforms of the self-owned railways to expand new customers and market, and ensured an adequate and stable supply of goods. The non-coal transportation business has been continuously developed, the cargo transportation volume of noncoal was 20.8 million tonnes, representing a year-on-year increase of 31.4% while reverse transportation volume of iron ore, manganese ore was 14.3 million tonnes, representing a year-on-year increase of 51.2%. During the year, the turnover volume of self-owned railways of the Group reached 285.7 billion tonne km (2019: 285.5 billion tonne km), representing a year-on-year increase of 0.1%.

Huangda Railway commenced trial operation in December 2020.

(2) Operation results

The operation results of the railway segment of the Group before elimination on consolidation are as follows:

		2020	2019	Change %	Main reasons for changes
Revenue	RMB million	38,723	39,701	(2.5)	Increase in freight turnover of railway lines with relatively low freight rates
Cost of sales	RMB million	(20,304)	(20,641)	(1.6)	
Gross profit margin	%	47.6	48.0	Decreased by 0.4 percentage points	
Profit from operations	RMB million	16,636	17,360	(4.2)	
Profit margin from operations	%	43.0	43.7	Decreased by 0.7 percentage points	

In 2020, the unit transportation cost in the railway segment was RMB0.066/tonne km (2019: RMB0.067/tonne km), representing a year-on-year decrease of 1.5%.

4. Port segment

(1) Production and operations

In 2020, the port segment of the Group fully promoted the improvement of equipment capability and efficiency, and the efficiency of loading volume was continuously enhanced. During the year, the accumulated loading volume of vessels at Huanghua Port and Shenhua Tianjin Coal Dock was 249.2 million tonnes (2019: 244.4 million tonnes), representing a year-on-year increase of 2.0%. The Group further promoted the construction of smart and green ports. Huanghua Port has become the first coal port in the world to achieve intelligent management and control of turning-stacking-fetching-loading full-process equipment, and the operation quality and efficiency have been significantly improved.

The Group has achieved intelligent and precise management and control in sprinkling and dust suppression, and the total water consumption, storage yard and dumpers water consumption are significantly reduced. The rain and sewage treatment rate and reuse rate of Tianjin Coal Dock reached 100%.

Ports capacity improvement project prompted steadily. The 70 thousand-tonne round-way channel construction of Huanghua Port passed the navigation safety evaluation and other preliminary work, and the construction of break-bulk berths and oil terminals promoted steadily. The project preliminary approval work of Zhuhai Coal Dock No. 6 Storage Yard was completed.

(2) Operation results

The operation results of the port segment of the Group before eliminations on consolidation are as follows:

		2020	2019	Change %	Main reasons for changes
Revenue	RMB million	6,359	5,926	7.3	Increase in loading volume of vessels at the ports
Cost of sales	RMB million	(3,314)	(3,064)	8.2	Increase in loading volume of vessels at the ports and the increase in dredging business volume resulting in an increase in related costs
Gross profit margin	%	47.9	48.3	Decreased by 0.4 percentage points	
Profit from operations	RMB million	2,678	2,536	5.6	
Profit margin from operations	%	42.1	42.8	Decreased by 0.7 percentage points	

The unit transportation cost in the port segment was RMB10.1/tonne in 2020 (2019: RMB10.5/tonne), representing a year-on-year decrease of 3.8%.

5. Shipping segment

(1) Production and operations

In 2020, the shipping segment of the Group overcame unfavorable situation of market downturn. The Group actively expanded external market and promoted non-coal transportation provided that the transport demand of power plants within the Group and the port logistics of coal in self-own port is guaranteed. The shipping volume for the year was 113.0 million tonnes (2019: 109.8 million tonnes), representing a year-on-year increase of 2.9% while shipment turnover amounted to 93.0 billion tonne nautical miles (2019: 89.6 billion tonne nautical miles), representing a year-on-year increase of 3.8%.

(2) Operation results

The operation results of the shipping segment of the Group before eliminations on consolidation are as follows:

		2020	2019	Change %	Main reasons for changes
Revenue	RMB million	3,112	3,297	(5.6)	Decrease in freight rates
Cost of sales	RMB million	(2,755)	(2,913)	(5.4)	Decrease in vessel rental charges resulting in a decrease in external transportation costs; decrease in fuel price resulting in a decrease in fuel costs
Gross profit margin	%	11.5	11.6	Decreased by 0.1 percentage points	
Profit from operations	RMB million	209	232	(9.9)	
Profit margin from operations	%	6.7	7.0	Decreased by 0.3 percentage points	

In 2020, the unit transportation cost of the shipping segment was RMB0.030/tonne nautical mile (2019: RMB0.032/tonne nautical mile), representing a year-on-year decrease of 6.3%.

6. Coal chemical segment

(1) Production and operations

The coal chemical business of the Group comprises the coal-to-olefins project of Baotou Coal Chemical (Phase I). Its main products consist of polyethylene (with production capacity of approximately 300,000 tonnes/year) and polypropylene (with production capacity of approximately 300,000 tonnes/year) and minor byproducts including industrial sulfur, mixed C5, industrial propane, mixed C4, industrial methanol, etc.. The methanol-to-olefins (MTO) equipment of the coal-to-olefins project was the first large-scale MTO equipment in China.

In 2020, Baotou Coal Chemical strived to overcome the impact of unfavorable factors such as fluctuations in international crude oil prices and the COVID-19 pandemic, made overall arrangement in production load, adjusted product structure in a timely manner, carried out R & D of new products, and hit a record high in the production and sales of polyolefin products. Throughout the year, the coal-to-olefins facilities had maintained stable and consecutive operation for 8,760 hours, with the average production capacity reaching 100%, and produced 700.5 thousand tonnes (2019: 615.7 thousand tonnes) of polyolefin products in aggregate, representing a year-on-year increase of 13.8%. Product quality continued to improve, and the cumulative pass rates of polyethylene and polypropylene products reached 98.96% and 100%, respectively. Polypropylene S2040 high melt index spinning material, the raw material for the production of medical protective products such as masks and protective clothing, has passed the US Food and Drug Administration (FDA) testing, national standard testing and EU RoHS testing. Significant results have been achieved in energy conservation and consumption reduction, with the lowest level of the comprehensive energy and water consumption per unit product in history.

The Baotou coal-to-olefins upgrade and demonstration project has been in the preparation stage, and the environmental impact assessment and approval work has been proceeding in an orderly manner.

The sales of polyethylene and polypropylene products of the Group in 2020 is as follows:

	2020		2019		Change	
	Sales volume <i>Thousand tonnes</i>	Price <i>RMB/ tonne</i>	Sales volume <i>Thousand tonnes</i>	Price <i>RMB/ tonne</i>	Sales volume %	Price %
Polyethylene	356.9	5,459	319.0	6,292	11.9	(13.2)
Polypropylene	331.2	6,015	302.3	6,797	9.6	(11.5)

(2) *Operation results*

The operation results of the coal chemical segment of the Group before eliminations on consolidation are as follows:

		2020	2019	Change %	Main reasons for changes
Revenue	RMB million	5,165	5,327	(3.0)	Decrease in sale price of olefin products
Cost of sales	RMB million	(4,675)	(4,693)	(0.4)	
Gross profit margin	%	9.5	11.9	Decreased by 2.4 percentage points	
Profit from operations	RMB million	259	311	(16.7)	
Profit margin from operation	%	5.0	5.8	Decreased by 0.8 percentage points	

(3) *Unit production cost of major products*

	2020		2019		Change	
	Production volume <i>Thousand tonnes</i>	Unit production <i>RMB/ tonne</i>	Production volume <i>Thousand tonnes</i>	Unit production <i>RMB/ tonne</i>	Production volume %	Unit production %
Polyethylene	360.4	5,079	319.4	5,857	12.8	(13.3)
Polypropylene	340.1	4,970	296.3	5,759	14.8	(13.7)

(IV) Regional operation analysis

Unit: RMB million

	2020	2019
Revenue from external transactions in domestic markets	227,539	238,889
Revenue from external transactions in overseas markets	5,724	2,982
Total	233,263	241,871

Note: Revenue from external transactions was classified based on the locations of the recipients of the services and products.

The Group is mainly engaged in the production and sales of coal and power, railway, port and shipping transportation as well as coal-to-olefins businesses in the PRC. In 2020, the revenue from external transactions in domestic markets was RMB227,539 million, accounting for 97.5% of the Group's revenue; revenue from external transactions in overseas markets was RMB5,724 million, representing a year-on-year increase of 92.0%, mainly due to commencement of operation of the single unit business of Indonesia Java No. 7 Power Generating Project.

In 2020, the Company conducted international operation stably to promote the construction and operation of overseas projects. The Guohua Sumsel EMM Coal-fired Power Project (Phase I) ($2 \times 150\text{MW}$) in Indonesia has been under safe and stable operation for many consecutive years with No. 1 unit under safe and stable operation for more than 1,300 days and both units for more than 660 days, winning two awards "Independent Power Generation Enterprise of the Year (Indonesia)" and "Environmental Protection Enterprise of the Year (Indonesia)". The No. 1 unit of Indonesia Java No. 7 Power Generating Project ($2 \times 1,050\text{MW}$) has been under safe and stable operation with high load for 301 days consecutively after its commissioning, which has effectively improved the stability of the Java-Bali power system; the No. 2 unit has been completed in all aspects with high standards in September 2020; the Indonesia South Sumatra No. 1 Project in Indonesia ($2 \times 350\text{MW}$) started construction in September 2020. The 29 gas wells of the shale gas project in Pennsylvania, the U.S. have been in normal production. Affected by the decline in international oil prices, the COVID-19 pandemic and the rare warm winter, the project has been in a state of loss in the current period, however, the risk is under control as the total investment can be fully recovered based on the calculation from the whole project cycle. Other external projects are in progress under the principle of stability and prudence.

(V) Analysis on Investments

The equity investments of the Company in 2020 amounted to RMB3,400 million (2019: RMB33,047 million), representing a significant year-on-year decrease, mainly due to the long-term equity investment in Beijing GD Power of RMB27,213 million recognized in the same period of the previous year. The equity investment in 2020 was mainly used to increase the capital of the Company's subsidiaries in coal, power and transportation to accelerate the project construction.

1. *Material investment in equity interest*

☐ Applicable ☒ Not applicable

2. *Material investment in non-equity interest*

☐ Applicable ☒ Not applicable

3. *Financial assets at fair value*

During the Reporting Period, the financial assets at fair value held by the Group were mainly bank wealth management products, US dollar-denominated forward purchases, thermal coal short selling and the non-tradable equity investments that have no significant impact on the investee.

Unit: RMB million

Name of items	Opening balance at the beginning of the period	Closing balance at the end of the period	Change for the current period	Change of profit for the current period
Banks' wealth management products	33,334	0	(33,334)	323
Forward foreign exchange contracts	31	0	(31)	(1)
Futures trading	70	0	(70)	(12)
Other investments in equity instruments	1,789	1,845	56	0
Total	35,224	1,845	(33,379)	310

(1) Thermal coal futures

In 2020, the Group has completed the delivery of 1.52 million tons of thermal coal futures with 2,000 tons of thermal coal futures offset. As of 31 December 2020, the Group has no thermal coal futures.

(2) USD debt hedging

In order to avoid the USD debt risk, the Group used financial derivatives to make exchange rate hedge against the debt of USD150 million. As of 31 December 2020, the above financial derivatives had all been delivered.

The exchange rate hedging conducted by the Group aimed at risk management rather than investment profit, and the specific scheme adopted conformed to the nature of hedging.

(VI) Disposal of material assets and equity interest

☐ Applicable ☒ Not applicable

(VII) Analysis on major holding and associated companies

1. Major subsidiaries

Unit: RMB million

No.	Company	Registered capital	Total assets	Net assets	Net profit attributable to the equity holders of the parent company			Main reasons for changes
		As at 31 December	2020	2020	2020	2019	Change %	
1	Shendong Coal	4,989	31,927	22,971	10,528	12,945	(18.7)	Decrease in sales volume and average price of coal, and increase in enterprise income tax
2	Shuohuang Railway	15,231	42,554	34,479	7,668	7,601	0.9	
3	Jinjie Energy	2,278	10,604	8,835	2,959	3,211	(7.8)	
4	Zhunge'er Energy	7,102	41,802	34,518	1,291	2,769	(53.4)	Decrease in transportation turnover of railway and the decrease average price of coal
5	Trading Group	1,889	21,223	7,841	1,835	2,514	(27.0)	Decrease in sales volume and average price of coal

No.	Company	Registered capital As at 31 December	Total assets 2020	Net assets 2020	Net profit attributable to the equity holders of the parent company			Main reasons for changes
					2020	2019	Change %	
6	Huanghua Harbour Administration	6,790	13,789	11,091	1,542	1,391	10.9	
7	Beidian Shengli	2,858	6,674	4,644	743	28	2,553.6	Reduction in production affected by the approval cycle for mining land use resulting in a lower coal production in 2019, and the increase in sales volume and average price of coal in 2020
8	Baotou Energy	2,633	7,028	5,810	515	963	(46.5)	Decrease in sales volume and average price of coal, and increase in enterprise income tax
9	Shenbao Energy	1,169	6,037	4,533	790	935	(15.5)	Decrease in coal production and sales
10	Indonesia Java	2,540	13,703	3,993	778	(9)	(8,744.4)	Indonesia Java No. 7 single unit business operation power generating project

Notes:

- (1) The financial information of the major subsidiaries in the above table was prepared in accordance with the China Accounting Standards for Business Enterprises. The data have not been audited or reviewed.
- (2) Shendong Coal recorded a revenue of RMB53,364 million and a profit from operations of RMB14,085 million in 2020.
- (3) Shuohuang Railway recorded a revenue of RMB20,585 million and a profit from operations of RMB10,259 million in 2020.

2. Major companies in which the Company has invested

After the deconsolidation of Finance Company, the Finance Company was directly and indirectly owned 40% by the Company, and 60% by China Energy, the controlling shareholder of the Company. The provision of financial services by the Finance Company to the Group constitutes connected/related party transactions of the Company.

(1) *Major financial indicators of the Finance Company*

	Unit	2020	2019	Change %
Revenue	RMB million	3,547	3,131	13.3
Total profit	RMB million	1,318	1,443	(8.7)
Net profit	RMB million	1,020	1,078	(5.4)
		31 December 2020	31 December 2019	Change %
Total asset	RMB million	105,607	118,251	(10.7)
Total liability	RMB million	83,136	110,068	(24.5)
Ownership interest	RMB million	22,471	8,183	174.6

Note: The financial data of the above table is prepared in accordance with the China Accounting Standards for Business Enterprises and has been audited.

(2) *Major risk indicators of Finance Company*

No.	Indicators	Completion in 2020	Compliant with regulatory requirements or not
1	Capital adequacy rate not lower than 10%	24.75%	Yes
2	Non-performing asset rate not higher than 4%	0.00%	Yes
3	Non-performing loan rate not higher than 5%	0.00%	Yes
4	Capital loss coverage ratio not lower than 100%	2,955.36%	Yes
5	Loan loss coverage ratio not lower than 100%	2,951.33%	Yes
6	Liquidity ratio not lower than 25%	38.06%	Yes
7	Ratio of self-owned fixed assets not higher than 20%	0.07%	Yes
8	Ratio of investment (against total capital) not higher than 70%	44.32%	Yes
9	Inter-bank borrowing ratio not higher than 100%	0.00%	Yes
10	Guarantee ratio not higher than 100%	0.01%	Yes

(3) *Deposits and loans of Finance Company*

Unit: RMB million

	As of 31 December 2020	As of 31 December 2019	Change (%)
Balance of deposits	82,866	109,512	(24.3)
Of which: balance of deposits of the Group	19,726	77,328	(74.5)
Balance of loans	76,264	43,003	77.3
Of which: balance of loans of the Group	24,046	17,725	35.7

(VIII) Structured Vehicle Controlled by the Company

☐ Applicable ☒ Not applicable

(IX) Compliance with Relevant Laws and Regulations

So far as the Board and management of the Company are aware, the Group has complied in all material aspects with the relevant laws and regulations that are related to the business and operation of the Group. In 2020 there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

(X) Relationship with Stakeholders

For details of remuneration and training of the Group's employees, please refer to the section headed "Directors, Supervisors, Senior Management and Employees".

The Group attaches great emphasis on good relationships with stakeholders such as customers, suppliers and other business partners to achieve its long-term goals. Accordingly, our senior management have kept good communication, promptly exchanged ideas and shared business updates with them when appropriate. For details, please refer to the 2020 ESG Report of the Company.

In 2020, there was no material dispute between the Group and its stakeholders.

IV DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT OF THE COMPANY¹

(I) Competition and Development Trend in the Industry

(I) Macro economy

2020 is an extraordinary year in the history of the new China. Confronted with a complex international environment and an arduous task of domestic reform, development and stability, especially the severe impact of the COVID-19 pandemic, the Chinese government has led the country, guided by the Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, maintained strategic focus, accurately judged the situation, carefully planned, acted decisively, coordinated both the domestic and international situations, coordinated the prevention and control of the pandemic and economic and social development, continuously persisted with “Four Confidences”, exploited the advantages of the system of tackling major events with centralized power, overcome all the difficulties and achieve great success, achieve decisive achievements in the three tough battles, achieved significant progress in scientific innovation, made major breakthroughs in reform and opening up and effectively guaranteed people’s livelihood. The Gross Domestic Product (GDP) for the year has seen a year-on-year increase of 2.3%. The Consumer Price Index (CPI) has seen a year-on-year increase of 2.5%. The Producer Price Index for Industrial Products (PPI) has seen a year-on-year decrease of 1.8%.

In 2021, the Chinese government will adhere to the general principle of making progress while ensuring stability, secure the continuity, stability and sustainability of macro policies, base the new development stage, adhere to new development ideologies, forge a new development landscape and promote high-quality development. The Chinese government will continue to deepen the result of the supply-side structural reform, take reform and innovation as the fundamental driving force, consolidate and expand the prevention and control of the pandemic and economic and social development achievements, better coordinate development and safety, exert all efforts on “stability on the six fronts”, fully implement “security in the six areas” and strive to keep the economic operation in a reasonable range.

¹ This section is for reference only and does not constitute any investment advice. The Company has used its best endeavors to ensure the accuracy and reliability of information in this section, but does not assume any liability or provide any form of guarantee for the accuracy, completeness or validity of all or part of its content. If there is any error or omission, the Company does not assume any liability. The content in this section may contain certain forward-looking statements based on subjective assumptions and judgments of future political and economic developments; therefore, there may exist uncertainties in these statements. The Company does not undertake any responsibility for updating the information or correcting any subsequent error that may appear. The opinions, estimates and other data set out herein can be amended or withdrawn without further notice. The data contained in this section are mainly derived from sources such as the National Bureau of Statistics, National Energy Administration, China Coal Market Network, China Coal Resources Network, China Electricity Council, and China Coal Transportation & Sales Society etc.

2. *Market environment of the coal industry*

(1) *Thermal coal market in the PRC*

Review of 2020

In 2020, the domestic coal market maintained fundamental balance in terms of supply and demand. Due to a number of factors, there may be loose or tight supply in some periods and regions and the price fluctuation increases. As of the end of 2020, the price index of Bohai Bay thermal coal (5,500 kcal) was RMB585/tonne, increasing by RMB34/tonne compared with the end of the previous year; the average value of the price index was RMB549/tonne, decreasing by RMB24/tonne compared with the previous year. The fluctuation of the spot price of coal intensifies.

	2020	Year-on-year change %
Raw coal production volume above national scale (100 million tonnes)	38.4	0.9
Coal import (100 million tonnes)	3.0	1.5
National coal transportation volume by railway (100 million tonnes)	23.6	(4.1)

In respect of the supply side, the production enterprises of coal have actively responded to the pandemic, coordinated and promoted the prevention and control of the pandemic and the resumption and achievement of production and maintained a relatively high level of coal production. With the continuous advancement of the supply-side structural reform of the coal industry, the safety and environmental protection inspections of the coal industry has been normalized, high-quality coal production capacity has been continuously released and the coal production volume has further concentrated in the main production areas. In 2020, the raw coal production volume above national scale reached 3.84 billion tonnes, representing a year-on-year increase of 0.9%. The raw coal production volume in Inner Mongolia, Shanxi and Shaanxi accounted for 71.4% of the national output, representing an increase of approximately 0.9 percentage points over the previous year. Among them, the raw coal production of Shanxi was 1,060 million tonnes, representing a year-on-year increase of 8.2%; as affected by policy factors such as resources, environmental protection and safety, the raw coal production of Inner Mongolia was 1,000 million tonnes, representing a year-

on-year decrease of 7.8%; the raw coal production of Shaanxi was 680 million tonnes, representing a year-on-year increase of 6.3%. The total output of Shanxi, Shaanxi and Inner Mongolia increased by 36.871 million tonnes, which was 108.9% of the national increase. The coal supply channel was smoother. The coal transportation volume through railways in China was 2,360 million tonnes, representing a year-on-year decrease of 4.1%. The transportation volume of coal through major ports in China was 750 million tonnes, representing a year-on-year decrease of 3.7%.

The import volume of coal continued to grow, and the total import volume of coal throughout the year amounted to 300 million tonnes, representing a year-on-year increase of 1.5%.

In respect of the demand side, in early 2020, the pandemic threw an impact on the economy and the demand for coal declined. Since the second quarter of the year when China had achieved significant results in the prevention and control of the pandemic as well as economic and social development, the economy has been steadily recovering and the coal demand has been rising. Demand for coal has increased significantly since the winter, driven by factors such as economic recovery and weather conditions. Total consumption of coal of the nation increased slightly by 0.5%, while the consumption of coal by the power industry has increased year-on-year by 0.8%, accounting for 52.9% of the national total consumption of coal. The coal consumption in the steel, building materials and chemical industries recorded rapid growth.

Prospects for 2021

In 2021, the promotion of high-quality development serves the key theme of the PRC's economy and society. The recovery growth of the macro economy will play a supporting role in energy consumption, the coal consumption is expected to maintain a small increase, and the coal consumption structure will be further optimized. The effect of "structural de-capacity and systematic capacity optimization" of coal will continue to emerge, and the utilisation rate of coal production capacity will improve. Coal imports are expected to remain generally stable. The capacity of major coal rail transportation channels will be sufficient, and domestic coal supply will be stable.

Overall, the supply and demand of coal are expected to be practically balanced in 2021. However, subject to factors including environmental protection safety crackdown, seasonal fluctuations and unexpected events, there may be structural tight supply in certain periods and regions.

(2) Thermal coal market in the Asia Pacific region

Review of 2020

In 2020, affected by the pandemic, global industrial production slowed down and energy demand declined. Under the influence of factors including environmental protection agreements such as carbon reduction, fossil energy continued to fall short of expectations and the proportion of coal in primary energy continued to decline. The Asia Pacific region remains the focus of global coal consumption. In the second half of the year, with the economic recovery of some countries, especially China, industrial activities accelerated and the demand for coal consumption rebounded.

As a result of the decrease in demand, the import volume from the major importers of coal showed a decreasing trend throughout the year. India imported 216 million tonnes of coal for the year, representing a year-on-year decrease of 11.0%; Japan imported 174 million tonnes of coal for the year, representing a year-on-year decrease of 6.8%; Korea imported 141 million tonnes of coal for the year, representing a year-on-year decrease of 12.7%. Indonesia, Australia and Russia were still the major exporters of coal. India exported 407 million tonnes of coal for the year, representing a year-on-year decrease of 11.3%; Australia exported 358 million tonnes of coal for the year, representing a year-on-year decrease of 7.7%; Russia exported 191 million tonnes of coal for the year, representing a year-on-year increase of 1.6%.

Global coal price dropped first and then rose, the spot price of Newcastle NEWC thermal coal dropped to a low of US\$47.53/tonne during the year and rebounded to US\$83.72/tonne at the end of the year, representing an increase of 29.2% as compared to the beginning of the year.

Prospects for 2021

In 2021, there is still some uncertainty in the global economic recovery, and the fluctuation of coal market will be mainly dominated by demand. South Asia and Southeast Asia, affected by the growth of power demand, are still the main force of coal demand growth. Indonesia and Australia will continue to be the major coal suppliers in the Asia Pacific region. Russia and Mongolia have growth potential in coal exports, while the US coal exports are expected to continue to decline.

It is expected that in 2021 the supply in global coal market will be loose as a whole, and there may be tight supply for a short time due to demand fluctuations in certain periods and regions.

3. *Market environment of the power industry*

Review of 2020

In 2020, after the impact at the beginning of the year, the national power consumption demand gradually picked up in the second quarter, and the growth rate of the whole social electricity consumption in the fourth quarter stood higher than that in the same period of last year. In the whole year, the power supply capacity was generally loose, the installed capacity of renewable energy grew rapidly, and the scope and proportion of market transaction of power were further expanded.

The total electricity consumption for the year was 7,511.0 billion kWh, representing a year-on-year increase of 3.1%, and the growth rate decreased by 1.4 percentage points as compared with that of last year. The generating capacity of power plants above national scale was 7,417.4 billion kWh, representing a year-on-year increase of 2.7%, and the growth rate decreased by 2.0 percentage points as compared with that of last year. Among them, thermal power generated 5,279.9 billion kWh, representing a year-on-year increase of 1.2%, and accounting for 71.1% of the power generation in the PRC, which was 2.2 percentage points higher than that of the previous year. The average utilisation hours of power generation equipment of power plants with capacity of 6,000 kW and above in the PRC was 3,758 hours, decreasing by 70 hours year-on-year. Among them, the average utilisation time of thermal power equipment was 4,216 hours, decreasing by 92 hours year-on-year. The average utilisation hours of hydropower were 3,827 hours, representing a year-on-year increase of 130 hours.

The installed capacity of renewable energy increased significantly, and the proportion of the installed capacity of thermal power generation decreased. In 2020, the new installed capacity of power supply in China was 190.87 million kW, including 56.37 million kW of thermal power, accounting for 29.5% of the total annual installed capacity, and 133.10 million kW of hydropower, wind power and solar power, accounting for 69.7% of the total annual installed capacity. By the end of 2020, the installed capacity of power generation equipment in China was 2.20 billion kW, an increase of 9.5% over the end of last year. Among them, thermal power was 1.25 billion kW, accounting for 56.6% of the total installed capacity, which was 2.6 percentage points lower than that at the end of last year.

In 2020, the power market-oriented reform was progressing rapidly and deeply, the market participants continued to increase, the market openness was significantly improved, and the market vitality was further released. The market electricity accumulated trading volume of all trading center across the whole country is 3,166.33 billion kWh, accounting for 42.2% of the total electricity consumption of the whole society; the medium and long-term power direct trading volume of the electricity market is 2,475.99 billion kWh, accounting for 33.0% of the total electricity consumption of the whole society.

Prospects for 2021

The stable operation of macro economy in 2021 will support the growth of electricity demand. The overall power supply capacity is surplus. Affected by extreme factors such as weather, there may be power shortage in certain areas and periods. The installed capacity of non-fossil energy will keep growing, and the development space of thermal power will further incline to high-parameter power generation units with large capacity. The scale of direct electricity trading will be further expanded, the number of medium and long-term contracts will be increased, and the short-term market competition pressure will gradually go down.

(II) Development Strategy of China Shenhua

Guided by Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the Company fully implemented the spirit of the 19th CPC National Congress and the second, third, fourth and fifth plenary sessions of the 19th CPC National Congress, responded to the great call of “socialism is realized by earnest work”, adhered to the general working tone of seeking progress while ensuring stability, implemented the new strategy for energy security highlighting “four reform and one cooperation”, closely followed the requirements of the State-owned Assets Supervision and Administration Commission of the State Council to create a world-class model enterprise with “three services, three practical and three bans”, and implemented the overall development strategy requirements of “One target, Three Model and Five Strategies and Seven First-class” of China Energy Group. Taking the promotion of high-quality development as the theme, deepened supply-side structural reforms as the main line, reforms and innovation as the fundamental driving force, the Company adhered to the principles of strategic orientation, market orientation, value creation, green and low-carbon, transformed development concepts and methods, adjusted the industrial structure and layout, innovated systems and mechanisms as well as management models, ensured energy security and energy supply, enhanced its capability in scientific and technological innovation and investment

profitability, continuously improved its competitiveness, innovation and risk resistance, and took the lead to build the world-class comprehensive energy listed company with global competitiveness.

(III) Business Targets for 2021

Item	Unit	Target of 2021	Actual amount in 2020	Increase/ (decrease) %
Commercial coal production	100 million tonnes	2.84	2.916	(2.6)
Coal sales	100 million tonnes	4.76	4.464	6.6
Gross power generation	100 million kWh	1,350	1,363.3	(1.0)
Revenue	RMB100 million	2,426	2,332.63	4.0
Cost of sales	RMB100 million	1,704	1,623.74	4.9
Selling, general and administrative expenses and net finance costs	RMB100 million	125	114.44	9.2
Percentage change of unit production cost of the self-produced coal	/	Year-on-year increase of approximately 5%	Year-on-year increase of 3.6%	/

The above business targets are subject to factors including changes in scope of consolidated financial statements, risks, uncertainties and assumptions. The actual outcome may differ materially from these statements. Such statements do not constitute actual commitments to investors. Investors should be aware that undue reliance on or use of such information may lead to investment risks.

The explanation of conditions under which the Company's net profit attributable to shareholders of the Company in the first quarter of 2021 is expected to reach a year-on-year change of 50% or above:

☐ Applicable ☒ Not applicable

(IV) Capital expenditure plan for 2021

Unit: RMB100 million

	Target of 2021	Actual amount in 2020
1.Coal segment	74.48	81.51
2.Power segment	147.99	77.66
3.Transportation segments	92.06	38.40
Of which: Railway	79.29	34.41
Port	12.45	3.88
Shipping	0.32	0.11
4.Coal chemical segment	30.81	5.64
5.Others	10.48	12.02
Total	355.82	215.23

Total capital expenditure of the Group in 2020 amounted to RMB21.523 billion, which were mainly used for the expenses in the prepayment of the mining rights costs, the purchase for the exploitation equipment for coal mines and the construction of the coal distribution system; the power generation projects under construction, such as Phase I of Hunan Yongzhou Project, Sichuan Jiangyou Coal Reserves Power Integration Project; the upgraded demonstration projects such as Huangda Railway construction and the coal-to-olefins project of Baotou Coal Chemical.

Based on the principles of strict control of investment and focusing on quality and efficiency, the Board of the Company approved a total planned capital expenditure of 2021 of RMB35.582 billion (excluding equity investment), including:

- (1) Among the capital expenditures of the coal segment, RMB3.008 billion will be used in new construction as well as renovation and expansion projects (including the purchase of infrastructure-related equipment); RMB1.791 billion will be used in technical renovation for equipment purchase; RMB2.438 billion will be used in technical renovation for non-equipment purchases. The major investment projects include the purchase of equipment for the capacity expansion project of Shengli

No. 1 Open-pit Mines, the green and high-efficiency energy-saving heating project in the Shendong Mines, the second panel project in Guojiawan coal mine, etc.

- (2) Among the capital expenditure of the power segment, RMB13.19 billion will be used in new projects (including the purchase of related equipment); RMB304 million will be used in technology renovation in environmental protection; RMB1.17 billion will be used in technology renovation in non-environmental protection. The major investment projects include Fujian Luoyuan Bay Port Power Storage Integration Project ($2 \times 1,000\text{MW}$), Sichuan Jiangyou Coal Reserves Power Integration Project ($2 \times 1,000\text{MW}$), Guangxi Beihai Power Plant Project ($2 \times 1,000\text{MW}$) etc.
- (3) The capital expenditure of the railway segment will be mainly used for the Huangda Railway, the expansion renovation of 300-million-tonne capacity project of Shenshuo, and the purchase of railway locomotives, vehicles and other equipment.
- (4) The capital expenditure of the coal chemical segment will be mainly used for coal-to-olefins upgrade demonstration project of Baotou Coal Chemical, coal coking project construction of Bayannur Energy and others.

The capital expenditure plans of the Group in 2021 are subject to the development of business plans (including potential acquisitions), progress of capital projects, market conditions, outlook for future operation environment and the obtaining of the requisite permissions and approval documents. Unless required by laws, the Company shall not assume any responsibilities for updating the data of its capital expenditure plans. The Company intends to finance its capital expenditures by cash generated from operating activities, short-term and long-term borrowings, and other debt and equity financing.

(V) Major risks faced and countermeasures

Investors should be aware that although the Company has reviewed and listed the major risks, and adopted relevant countermeasures, there is no absolute guarantee that all adverse impact could be eliminated due to the limitation of various factors.

1. *Risk of macroeconomic fluctuations*

The industry in which the Group operates is closely correlated to the prosperity of the macro economy. Currently, with complex and severe external environment, there have been increased pressure on economic structure adjustment and economic downward pressure due to the impact of the COVID-19 pandemic. Besides, the reform and innovation in the energy sector will have a significant impact on the Group's development strategy.

To cope with the risk of macroeconomic fluctuations, the Group will further strengthen the studies on macro-control policy and relevant industrial trends, take the initiative to make pre-adjustment, promote high-quality development by taking the supply-side structural reforms as paramount, make great efforts to push scientific innovation and progress, continue to implement strategies of green energy, accelerate the development of new energy industries, create new highlights for clean energy, and cultivate new growth poles.

2. *Risk of safety production and environmental protection*

The Group has established the production safety targets of preventing major and above production safety accidents as well as effectively curbing general accidents to achieve "zero deaths". Although the Group has been sustaining stable performance in safe production for its coal mines, there are uncertainties in the course of safe production. Given the facts that national policies on energy-saving and environmental protection have been further tightened, that local standards on ultra-low emissions are even stricter than national standards, that operating costs of enterprises are increased due to the levy of environmental tax, and that the demand for better ecological environment puts more stringent requirements on the development and operation of enterprises, the constraints on energy-saving, emission reduction and environmental protection are further imposed on the Group.

To cope with the risks of production safety for coal mines, the Group will strengthen various areas in respect of the implementation of its safety risk prevention and control management system, inspections and treatments and assessment of significant risks, reinforcement of safety production training and emergency rescue management, innovative mechanism of safety supervision, all-round promotion of safety management ability, and consolidation of production safety fundamentals.

To cope with the risks of environmental protection, the Group continues to strengthen environmental monitoring, strictly adheres to the ecological red line, vigorously promotes the construction of green mines, focuses on the development strategy of clean energy, and takes the efficient development, use and conversion of clean coal as the core. The Group spares no effort in constructing ecological civilization through continuously strengthening its soft power of environmental protection and the brand image building of ultra-low emissions in coal power on an on-going basis. It continues to identify environmental hidden dangers, further improves the environmental risk pre-control management system and strengthens the identification, remediation of potential issues and environmental emergency management in order to achieve energy-saving and emission reduction targets as well as to prevent severe environmental pollution incidents.

3. *Risk of market competition*

In 2020, the energy consumption structure continued to be adjusted, the proportion of coal consumption kept declining, coal production continued to grow, coal enterprise mergers and reorganizations advanced on an ongoing basis, and the market competition intensified. As reforms of the electricity market accelerated, the proportion of power transactions continued to increase; the market competition intensified, and the transaction size and price were uncertain. The state has increased the construction of cross-provincial coal transportation railway channels, and local coal transportation railways have been putting into operation or under expansion. The coal transportation capacity will be gradually released, and the transportation formats tends to be diversified.

In response to the risks of market competition, the Group will improve the accuracy of the pre-judgment to coal market, strictly implement long-term contracts, enhance quality control, increase brand advantage on an ongoing basis, strengthen the development of new markets, maintenance of existing markets and construction of interchange bases, and deepen the comprehensive coordination of production, transportation, sales, storage and use. It will also further conduct quality improvement and efficiency enhancement in the power industry and conduct risk pre-control, production safety and power market transactions in compliance with laws and regulations; the Company will actively participate in investment in coal flowing channels of national railways, increase the collection and distribution capacity of railways owned by the Company and keep improving the core competitiveness of transportation of the Company.

4. *Risk of international operations*

The international political situation is increasingly complicated. Affected by multiple factors including the complex international political, economic, social and religious environments, diverse legal systems among different countries, fluctuations in exchange rates, stricter environmental protection requirements, and intensified trade conflicts among certain countries, there may be ups and downs as well as fluctuations in the future international trades and economic situations. Together with the highly competitive energy market worldwide, the uncertainties in the Group's international operations may have an impact on its overseas business.

To cope with the risk of international operations, the Group will further carry out overseas resource evaluation, operation performance evaluation and technology assessment based on sound information collection, analysis and research prior to making any decision on overseas project investment so as to ensure economic and technological feasibility. The Group will actively respond to the impact of the COVID-19 pandemic on overseas business, strengthen overseas risk screening, and take multiple measures to prevent and resolve risks. Furthermore, the Company will strengthen the cultivation and introduction of interdisciplinary talents to lay a solid cornerstone for its "Going Overseas" strategy.

5. *Legal risk*

The Group is large in size and has a long industrial chain with complicated and changeable risk factors. It is difficult to identify and prevent risks, which may trigger contract disputes and regulatory penalties. Changes in the international political and economic situation as well as the global spread of the COVID-19 pandemic have increased the legal compliance risks in the construction and operation of overseas projects.

To cope with the legal risk, the Group will optimize the legal risk prevention system on a continuous basis, carry out compliance risk identification and early warning in layers and categories, and use information technology to improve the effectiveness of compliance management. The Group will promote the "standardization of main business contracts", proceed the "layered listing supervision" mechanism for major cases, and improve the prevention and response capabilities for major legal cases. The Group will strengthen the compliance management of coal-fired power projects, such as project approval and licensing, and standardize the construction and operation

of projects. The Group will enhance the follow-up research on overseas legal systems, conduct overseas legal investigations, monitor overseas legal compliance risks in a regular manner, and implement risk prevention and control measures.

6. *Risk of project management*

The overall progress of the Group's existing projects is stable, however, there are uncertainties to a certain extent in the construction of specific projects, which includes risks arising from safety incidents due to the inadequate fulfillment of safety responsibilities and the lack of safety awareness of some of the construction workers; risks of prolonged construction period, excessive changes, delayed construction period and increased investment due to insufficient project risk prediction and insufficient capacity of the design unit.

To cope with the risk of project management, the Group will strengthen its construction safety management, enforce its administration in safety emergency plans and eliminate major and more severe safety incidents. Strict control of project design and settlement will be implemented, and construction cost control at the early stage will be strengthened. Each project team will keep track, timely and comprehensively interpret the general information of the project, actively communicate with each participating unit and supplier, and formulate effective measures to reduce or eliminate the impact of the factors of phase expansion.

7. *Risk of integrated operations*

The Group's advantages in integrated coal mines, power, transportation and coal chemical operations come along with the risks arising from the interruption of individual parts of the entire integrated chain. In case of poor organisation or coordination or a discontinuation of any part, the balance and high efficiency of integrated organisation and operations will be affected and the impact may adversely affect the Group's business results.

To cope with the risk of integrated operations, the Group will take an array of measures based on production safety, including, scientific scheduling and plan management, improve railway collection and distribution system, strengthen the coordination of power grid, and strengthen the operation management of production equipment, with an aim at balanced production and uninterrupted integrated operations to maximise its competitiveness.

8. Policy risk

The business activities of the Group are affected by the national industrial control policies. Establishing the goal of “carbon peak and carbon neutrality”, the country has put forward new and higher requirements for the high-quality development of the energy industry. Policies stipulated to continue deepening the supply-side structural reform of the coal industry, actively promote the elimination of backward production capacity in the coal industry, accelerate the release of high-quality production capacity, and realise the conversion of new and old development momentum, may objectively affect the Company’s industrial layout, the approval and operation of new and expansion projects, as well as the renovation of management models.

To cope with the risk of changes in industrial policies, the Group will strengthen the research on the latest national industrial policies and industry regulations, enhance policy coordination, reasonably match the investment scale of each sector, actively promote industrial upgrading and structural adjustment, and actively implement the “carbon peak and carbon neutrality” goals.

PROFIT DISTRIBUTION PLAN

(I) Formulation, implementation or adjustment of cash dividend policy

In accordance with the requirements of the relevant laws and regulations and the Articles of Association, the profit distribution policy of the Company shall maintain continuity and stability and emphasize on achieving reasonable returns for investors. The Company shall give priority to profit distribution in cash dividends. The profit distribution policy of the Company complies with the Opinions of the State Council on Further Improving the Quality of Listed Companies (《國務院關於進一步提高上市公司品質的意見》) and the Guideline on Encouragement of Cash Dividend Distribution of Listed Companies announced by the CSRC.

Pursuant to the Articles of Association, the profit distribution of the Company shall be made based on the profit for the year attributable to equity holders of the Company in the consolidated financial statements prepared under the China Accounting Standards for Business Enterprises and the International Financial Reporting Standards, whichever is lower. Annual profit distribution in cash shall be no less than 35% of the net profit for the year attributable to equity holders of the Company subject to the relevant conditions.

In order to implement the securities Law of the PRC, strengthen the protection of investors' legitimate rights and interests, and respond to the demands of investors, especially minority shareholders, as approved on the AGM of the Company in 2019 and in line with the Article of Association, the profit distributed by the Company in cash from 2019 to 2021 shall not be less than 50% of the net profit attributable to shareholders of the Company realized in that year.

(II) Profit distribution scheme/plan

1. Profit distribution scheme/plan for the recent three years (including the reporting period)

			Net profit attributable to equity holders of the Company in the consolidated financial statements of the respective dividend year in accordance with China Accounting Standards for Business Enterprises	Percentage to the net profit attributable to equity holders of the Company in the consolidated financial statements %
	Dividend per 10 shares (inclusive of tax) RMB	Amount of cash dividend (inclusive of tax) RMB million	RMB million	
Final dividend for year 2020 (Proposed)	18.1	35,962	39,170	91.8
Final dividend for year 2019	12.6	25,061	43,250	57.9
Final dividend for year 2018	8.8	17,503	43,867	39.9

Net profit for the year attributable to equity holders of the Company for 2020 under the China Accounting Standards for Business Enterprises amounted to RMB39,170 million, with basic earnings per share of RMB1.970/share; profit for the year attributable to equity holders of the Company under the International Financial Reporting Standards amounted to RMB35,849 million, with basic earnings per share of RMB1.803/share. As at 31 December 2020, the retained earnings available for distribution to shareholders of the Company under the China Accounting Standards for Business Enterprises amounted to RMB183,374 million.

The Board proposed the payment of a final dividend in cash of RMB1.81 per share (inclusive of tax) for the year 2020 based on the total share capital registered on the equity registration date of implementing equity distribution. According to the total share capital of 19,868,519,955 shares of the Company as at 26 March 2021, the final dividend totals RMB35,962 million (inclusive of tax), accounting for 100.3% of the profit for the year attributable to equity holders of the Company under the International Financial Reporting Standards, or 91.8% of the net profit for the year attributable to equity holders of the Company under the China Accounting Standards for Business Enterprises. In addition, in 2020 the Company repurchased a total of 21,100,500 H shares for a consideration of HKD303.12 million (excluding commission and other expenses), accounting for approximately 0.7% of the profit for the year attributable to the owners of the Company under the International Financial Reporting Standards and 0.7% of the net profit attributable to the equity holders of the Company under the China Accounting Standards for Business.

2. The above final dividend plan for year 2020 is in compliance with the requirement of the Articles of Association and endorsed by the independent directors and approved by the Board. When recommending the plan for year 2020, the Board has attended to and considered the opinions and concerns of the shareholders of the Company. The Company will hold the 2020 annual general meeting on Friday, 25 June 2021 to consider the relevant resolutions, including the above dividend plans as proposed by the Board.
3. The final dividend for year 2020, which is denominated and declared in RMB, will be paid in RMB to holders of the Company's A shares, including holders of the Company's A shares through the Northbound Trading Link of the Shanghai-Hong Kong Stock Connect, hereinafter referred to as the "Northbound Shareholders", and holders of the Company's H shares through the Southbound Trading Link (including Shanghai and Shenzhen markets, hereinafter referred to as the "Southbound Shareholders"). Dividends to holders of the Company's H shares, except the Southbound Shareholders, are paid in HKD. The dividend paid in HKD is calculated according to the exchange rate based on the average benchmark rate of RMB against HKD, as published by the Bank of China five business days preceding the date of declaration of such dividend.

In accordance with the preliminary arrangement of profit distribution plan for year 2020 and annual general meeting of the Company, the final dividend for year 2020 for the Company's H shareholders are estimated to be distributed on or about 27 August 2021.

4. Pursuant to the Articles of Association:

- (1) After the SSE is closed in the afternoon on Tuesday, 22 June 2021, the shareholders of A shares of the Company and the proxies of shareholders as registered in the China Securities Depository and Clearing Corporation Limited Shanghai Branch are entitled to attend and vote at the 2020 annual general meeting of the Company;
- (2) According to the relevant regulations of China Securities Depository and Clearing Corporation Limited Shanghai Branch and market practice adopted for final dividend distribution for A shares, the Company will publish a separate announcement on implementation of equity distribution in respect of the distribution of final dividend for year 2020 to holders of A shares after the 2020 annual general meeting to determine the record date, ex-rights date and dividend distribution date for the distribution of final dividend for year 2020 to holders of A shares.

5. The arrangement of temporary closure of the register of members of H shares of the Company:

Temporary closure of the register of members

No.	Corresponding Rights	First Day (inclusive)	Last Day (inclusive)	The last day for registering members	The Company's share registrar for H shares
1	Attending and voting at the 2020 annual general meeting	22 June 2021 (Tuesday)	25 June 2021 (Friday)	4:30 p.m. on 21 June 2021 (Monday)	Computershare Hong Kong Investor Services Limited
2	Entitled to the final dividend for year 2020	3 July 2021 (Saturday)	9 July 2021 (Friday)	4:30 p.m. on 2 July 2021 (Friday)	Computershare Hong Kong Investor Services Limited

- 6.** In accordance with the Enterprise Income Tax Law of the PRC and its implementation regulations which came into effect on 1 January 2008, the Company is required to withhold and pay enterprise income tax at the rate of 10% on behalf of the non-resident enterprise shareholders whose names appear on the register of members for H shares of the Company when distributing final dividends. The Company shall withhold and pay enterprise income tax in respect of the final dividend for year 2020 of the Company for the non-resident enterprise shareholders whose name would appear on the register of members for H shares of the Company on 9 July 2021.

7. According to Guo Shui Han [2011] No. 348 issued by the State Administration of Taxation, the Company shall withhold and pay individual income tax for dividend payable to the individual shareholders of H shares. The individual shareholders of H shares are entitled to the relevant preferential tax treatment pursuant to the provisions in the tax agreements entered into between their countries of residence and China or the tax arrangements between mainland China and Hong Kong (Macau).

If the individual shareholders of the H shares who are Hong Kong or Macau residents or residents of the countries which have an agreed tax rate of 10% with China, the Company shall withhold individual income tax at a rate of 10%. If the individual shareholders of the H shares are residents of countries which have an agreed tax rate of less than 10% with China, the Company shall withhold individual income tax on behalf of them in accordance with relevant provisions required by the Announcement of the State Administration of Taxation in relation to the Administrative Measures on Preferential Treatment Entitled by Non-resident Taxpayers under Tax Treaties (No. 35 Announcement of the State Administration of Taxation in 2019). If the individual shareholders of the H shares are residents of countries which have an agreed tax rate of over 10% but less than 20% with China, the Company shall withhold the individual income tax at the agreed actual rate. In case the individual shareholders of the H shares are residents of countries which have not entered into any tax agreement with China, or the agreed tax rate with China is 20% or otherwise, the Company shall withhold the individual income tax at a rate of 20%.

The Company shall use the registered address (hereinafter referred to as “registered address”) as recorded in the register of members of H shares on 9 July 2021 as the criterion in determining the residence of the individual shareholders of H shares who are entitled to receive the final dividend for year 2020 of the Company, and withhold and pay individual income tax accordingly. If the residence of the individual shareholders of H shares is inconsistent with the registered address, such shareholders shall notify the Company’s share registrar for H shares at or before 4:30 p.m. on 2 July 2021 with the relevant evidence at Computershare Hong Kong Investor Services Limited of 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong.

8. With respect to the Southbound Shareholders, according to the relevant requirements of China Securities Depository and Clearing Corporation Limited, China Securities Depository and Clearing Corporation Limited Shanghai Branch and Shenzhen Branch shall receive cash dividends distributed by the Company as the nominee of the Southbound Shareholders for Shanghai market and Shenzhen market, respectively and distribute such cash dividends to the relevant Southbound Shareholders through its depository and clearing system.

According to the relevant provisions under the “Notice on Tax Policies for Shanghai- Hong Kong Stock Connect Pilot Programme” (Cai Shui [2014] No. 81) and the “Notice on Tax Policies for Shenzhen-Hong Kong Stock Connect Pilot Programme” (Cai Shui [2016] No. 127), the Company shall withhold individual income tax at the rate of 20% with respect to dividends received by Mainland individual investors for investing in H-shares listed on the HKEx through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect. For Mainland securities investment funds investing in shares listed on the HKEx through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, the above rules also apply and individual income tax shall be levied on dividends derived therefrom. The Company is not required to withhold income tax on dividends derived by Mainland enterprise investors, and such enterprises shall report the income and make tax payment by themselves. The record date and the relevant arrangements of dividend distribution for Southbound Shareholders are the same as that of the Company’s shareholders of H shares.

- 9.** The Company assumes no responsibility arising from any delayed or inaccurate determination of the status of the shareholders or any dispute over the mechanism of withholding. Shareholders should consult their tax advisers regarding the PRC, Hong Kong and other tax implications of owning and disposing of the Company’s H shares.
- 10.** Pursuant to the Articles of Association, the Company is entitled to forfeit the dividends which have been declared for more than six years but yet to be claimed, subject to compliance with relevant Chinese laws and administrative regulations. Shareholders are advised to collect the dividends distributed by the Company in a timely manner.

CORPORATE GOVERNANCE

The Company has been in compliance with the requirements of corporate governance policies as set out in Appendix 14 of the Hong Kong Listing Rules to establish its own system of corporate governance. During the year ended 31 December 2020, the Company has been in full compliance with the provisions of principle and codes and most of the recommended best practices as specified therein.

Performance of Board Committees during the Reporting Period

(I) Composition of the committees

As at the end of the reporting period, the Company has established five committees under the Board, and the details are as follows:

The fifth session of the Board committees

Strategy Committee	Wang Xiangxi (Chairman), Yang Jiping, Jia Jinzhong
Audit Committee	Chen Hanwen (Chairman), Yuen Kwok Keung, Bai Chong-En
Remuneration Committee	Yuen Kwok Keung (Chairman), Chen Hanwen, Xu Mingjun
Nomination Committee	Bai Chong-En (Chairman), Chen Hanwen, Xu Mingjun
Safety, Health and Environment Committee	Yang Jiping (Chairman), Wang Xingzhong

(II) The duties and performance of duties of the committees

During the reporting period, each committee under the Board did not express any dissenting views in performing their duties. The performance of duties of each committee is set out as follows:

1. Strategy Committee

The principal duties of the Strategy Committee are to conduct researches and submit proposals regarding the long-term development strategies and material investment decisions of the Company; to conduct researches and submit proposals regarding material investments and financing plans which require approval of the Board; to conduct researches and submit proposals regarding material capital operations and assets operation projects which require approval from the Board; to conduct researches and submit proposals regarding other material matters that may affect the Company's development; to examine the implementation of the above matters; and other matters as authorized by the Board.

In 2020, the Strategy Committee of the Board held two meetings by correspondence to consider the increase of registered capital of Shenhua Finance Co., Ltd. and the Company waive the priority of subscription, the 14th Five-Year Plan, 2021 Production Plan, 2021 Investment Plan, and Investment Management Measures of the Company, all of which were approved at the meetings.

2. Audit Committee

The main duties of the Audit Committee were to supervise and assess the work of the external audit institutions; to propose to employ or replace the external auditor; to supervise and evaluate the internal audit work; to coordinate the internal audit and the external audit; to audit the financial information and its disclosure of the Company; to supervise and evaluate the internal control of the Company; and other matters authorized by laws and regulations, the Articles of Association and the Board.

During the reporting period, the Audit Committee fulfilled its duties strictly in accordance with the Rules of Procedure of Meetings of the Audit Committee of the Board, Rules on Work of the Audit Committee of the Board and Rules on Work of Annual Reports of the Audit Committee of the Board of China Shenhua.

In 2020, the Audit Committee held 7 meetings to consider proposals such as the financial reports, internal control reports, and connected transactions of the Company; debriefing on the progress of the XINJIE TAIGEMIAO project and the implementation and management measures for the general repurchase of H Shares, all of which were approved at the meetings and all members attended all meetings in person.

The Audit Committee has performed required procedures for the preparation of the 2020 annual report and internal control report of the Company:

- (1) Before the accounting firms for 2020, namely KPMG Huazhen LLP and KPMG (“KPMG”), proceeded with on-site auditing, the Audit Committee had negotiation with KPMG on the determination of the schedule of the Company’s 2020 audit. On 26 August 2020, the Audit Committee reviewed the internal control assessment plan for the year 2020. On 22 November 2020, the Audit Committee reviewed the Company’s plans for the audit work for the year 2020.
- (2) After the issue of preliminary audit opinions by KPMG, the Audit Committee reviewed the draft internal control assessment report and financial statements for 2020. On 16 March 2021, the Audit Committee reviewed the 2020 Assessment Report on Internal Control (Draft) and 2020 Financial Statements (Draft) of China Shenhua prepared by the Company.

- (3) KPMG completed all audit procedures within the agreed time and reported to the Audit Committee its intention to issue a standard unqualified audit report for 2020. On 23 March 2021, the Audit Committee voted on and formed resolutions in respect of the audited annual financial and accounting statements, the assessment report on internal control and the social responsibility and corporate governance report for the year 2020 and agreed to submit such reports to the Board for consideration.

The Audit Committee discussed separately with the external auditors and no inconsistency was found in the briefings by the management.

3. *Remuneration Committee*

The main duties of the Remuneration Committee are to make recommendations to the Board on formulation of the remuneration plan or proposal for Directors, supervisors, Chief Executive Officer and other senior management, including but not limited to the criteria, procedures and the major systems of performance assessment, key incentive and punishment plans and systems; to study the assessment standards for Directors, supervisors, Chief Executive Officer and other senior management, and examine the performance of duties by Directors, supervisors, Chief Executive Officer and other senior management of the Company and carry out annual performance assessment on them; to supervise the implementation of the remuneration system of the Company, review and approve the remuneration determined by performance in accordance with the Company's objectives approved by the Board from time to time; to exercise the following duties as authorized by the Board: to determine the specific remuneration of all the Executive Directors, supervisors, Chief Executive Officer and other senior management, including non-monetary benefits, pension rights and compensation; to review and approve the payment of compensation to Executive Directors, supervisors, Chief Executive Officer and other senior management in relation to the loss or termination of their duties or appointment, so as to ensure that such compensation is determined in accordance with the related terms of the contract; to review and approve the compensation arrangements involved in the dismissal or removal of Directors due to their improper conduct, so as to ensure that such arrangements are determined in accordance with the related terms of the contract; to make recommendations to the Board on the remuneration of the Non-Executive Directors; to ensure that none of the Directors or any of their associates determines their own remunerations; and to execute other matters as authorized by the Board.

In 2020, the Remuneration Committee held 2 meetings to consider proposals including the remuneration of Directors, supervisors and senior management for the year 2019, the purchase of liability insurance for Directors, supervisors and senior management with liability limit and the recommended index of business performance assessment of the management of the Company in 2021, all of which were approved at the meetings and all members attended the on-site meetings or attended the meetings by way of communications. During the reporting period, the Remuneration Committee reviewed the remuneration management system of the Company and the remuneration level for Directors, supervisors and senior management for the relevant period. The Remuneration Committee is of the view that the Company has established a relatively complete remuneration management system, which embodies the value concept of listed companies centered on economic benefits as well as the political, social and economic responsibilities of state-owned holding companies. The Remuneration Committee agrees to various remuneration management system of the Company.

4. *Nomination Committee*

The main duties of the Nomination Committee are to formulate the board diversity policy, regularly review the structure, size and diversity of the Board, and to make recommendations to the Board with regard to any proposed changes; to assess and verify the independence of independent Non-Executive Directors; to draft procedures and criteria for election and appointment of Directors, Chief Executive Officer and other senior management and make recommendations to the Board; to extensively seek for qualified candidates of Directors, Chief Executive Officer and other senior management; to examine the aforementioned candidates and make recommendations; to nominate candidates for members of the Board Committees (other than members of the Nomination Committee and the Chairman of any Board Committee); to draft development plans for Chief Executive Officer, other senior management and key reserve talents; to review the board diversity policy where appropriate, and review the quantitative objectives set up by the Board to implement the board diversity policy and their progress of achievement, as well as to disclose the results of review in the Corporate Governance Report annually; and to carry out any other matters as authorized by the Board.

In 2020, the Nomination Committee held 2 meetings to consider the candidates for Executive Directors, Non-Executive Directors and Independent Non-Executive Directors, and the proposals of four committees including Strategy Committee under the fifth session of Board, all of which were approved at the meetings and all members attended all meetings in person.

5. *Safety, Health and Environment Committee*

The principal duties of the Safety, Health and Environment Committee are to supervise the implementation of safety, health and environmental protection plans of the Company; to make recommendations to the Board or the Chief Executive Officer on material issues in respect of safety, health and environmental protection of the Company, including but not limited to employee development, climate change, biodiversity and water resources management; to inquire into the material incidents and responsibilities regarding the Company's production, operations, property assets, staff or other facilities; as well as to review and supervise the resolution of such incidents; to review the Company's annual Environmental, Social Responsibility and Governance ("ESG") report; to review the Statement of the Board Governance disclosed in the Company's annual ESG report; to supervise and review the identification, evaluation and management process of the matters related to the Company's ESG activities and the progress of related objectives; and other issues as authorized by the Board.

In 2020, the Safety, Health and Environment Committee held 3 meetings in the form of writing to consider and approved the proposals on the 2019 ESG Report, Improving the Company's ESG System, and ESG Management Measures.

OTHERS

In 2020, the Company repurchased a total of 21,100,500 H shares for a consideration of HKD303.12 million (excluding commission and other expenses), which have been cancelled on 8 March 2021.

Save as disclosed above, for the year ended 31 December 2020, neither the Company nor any of its subsidiaries has repurchased, sold or redeemed any securities of the Company as defined in the Hong Kong Listing Rules.

ANNUAL REPORT

The 2020 annual report will be published on the website of the Hong Kong Stock Exchange in due course.

The 2020 annual report, which contains consolidated financial statements for the year ended 31 December 2020, with an unqualified auditors' report, will be despatched to shareholders as well as made available on the Company's website at <http://www.csec.com>.

DEFINITIONS

Unless the context otherwise requires, the following terms used in this report have the following meanings:

China Shenhua/the Company	China Shenhua Energy Company Limited
The Group	The Company and its subsidiaries
China Energy/Shenhua Group Corporation	China Energy Investment Corporation Limited (國家能源投資集團有限責任公司), the new name of Shenhua Group Corporation Limited (神華集團有限責任公司)
China Energy Group/Shenhua Group	China Energy and its subsidiaries (excluding the Group)
Shendong Coal	Shenhua Shendong Coal Group Co., Ltd.
Shendong Power	Shenhua Shendong Power Co., Ltd.
Zhunge'er Energy	Shenhua Zhunge'er Energy Co., Ltd.
Beidian Shengli	Shenhua Beidian Shengli Energy Co., Ltd.
Shuohuang Railway	China Energy Shuohuang Railway Development Co., Ltd.
Trading Group	China Energy Trading Group Limited
Huanghua Harbour Administration	China Energy Huanghua Harbour Administration Co., Ltd.
Baoshen Railway	China Energy Baoshen Railway Group Co., Ltd.
Baotou Energy	China Energy Baotou Energy Co., Ltd.
Baotou Coal Chemical	Shenhua Baotou Coal Chemical Co., Ltd.
Shenbao Energy	China Energy Baorixile Energy Co., Ltd.
Tianjin Coal Dock	Shenhua Tianjin Coal Port Dock Co., Ltd.
Zhuhai Coal Dock	China Energy Zhuhai Harbour Administration Co., Ltd.

Sichuan Energy	Shenhua Sichuan Energy Co., Ltd.
Fujian Energy	Shenhua Fujian Energy Co., Ltd.
EMM Indonesia	PT.GH EMM INDONESIA
Zhunge'er Power	Power-generating division controlled and operated by Zhunge'er Energy
Taishan Power	Guangdong Guohua Yudean Taishan Power Co., Ltd.
Cangdong Power	Hebei Guohua Cangdong Power Co., Ltd.
Jinjie Energy	Shaanxi Guohua Jinjie Energy Co., Ltd.
Dingzhou Power	Hebei Guohua Dingzhou Power Generation Co., Ltd.
Mengjin Power	Shenhua Guohua Mengjin Power Generation Co., Ltd.
Jiujiang Power	Shenhua Guohua Jiujiang Power Co., Ltd.
Huizhou Thermal	Guohua Huizhou Thermal Power Branch of China Shenhua
Shouguang Power	Shenhua Guohua Shouguang Power Generation Company Limited
Shenhua Lease Company	Shenhua (Tianjin) Finance Lease Co., Ltd.
Beijing GD Power	Beijing GD Power Co., Ltd
Finance Company	China Energy Finance Co., Ltd, formerly known as Shenhua Finance Co., Ltd.
JORC	Australasian Code for Reporting of Mineral Resources and Ore Reserves
SSE	Shanghai Stock Exchange
HKEx	The Stock Exchange of Hong Kong Limited
Hong Kong Listing Rules	Rules Governing the Listing of Securities on the HKEx

China Accounting Standards for Business Enterprises	the latest Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China and the related application guidance, interpretations and other related requirements
International Financial Reporting Standards	International Financial Reporting Standards issued by the International Accounting Standards Board
Articles of Association	Articles of Association of China Shenhua Energy Company Limited
EBITDA	Profit for the year + net financial costs + income tax + depreciation and amortization – share of profits and losses of associates
Gearing ratio	total liabilities/total assets
Shanghai-Hong Kong Stock Connect	A mutual access and connect mechanism for transactions in stock markets between SSE and HKEx
Shenzhen-Hong Kong Stock Connect	A mutual access and connect mechanism for transactions in stock markets between Shenzhen Stock Exchange and HKEx
RMB	Renminbi unless otherwise specified

By order of the board
China Shenhua Energy Company Limited
Huang Qing
Secretary to the Board of Directors

Beijing, 28 March 2021

As at the date of this announcement, the Board comprises the following: Mr. Wang Xiangxi, Mr. Yang Jiping and Mr. Xu Mingjun as executive directors, Mr. Jia Jinzhong as non-executive director, Dr. Yuen Kwok Keung, Dr. Bai Chong-En and Dr. Chen Hanwen as independent non-executive directors, and Mr. Wang Xingzhong as employee director.